The Tokyo Gas Group aims to be a true power source for people’s lives, and for society. Over 130 years, our work kept us in a kind of face-to-face relation with our customers. Based on the accumulated experience and trust derived from that history, we want to help create a bright, safe, and pleasant tomorrow. We will continue to be very close to our customers and be deliberate in taking action on their behalf. Our efforts will be group-wide as will be our bold, confident approach to the challenges ahead.

Supporting you Always and bettering every day.
Forward-Looking Statements  This annual report includes various management goals and other forecasts relating to the “GPS 2020” announced in October 2017 and other strategies. This information is based on forecasts, assumptions, and available information when preparing the “GPS 2020” and other strategies and does not guarantee the achievement of goals and forecasts or future business results. Further, this information may change due to changes in business conditions. Therefore, placing undue reliance on this information is not advised. In addition, the target figures for fiscal 2018 are based on the judgment of management and the information available when the figures were published (April 27, 2018). The company will disclose the latest information to the Tokyo Stock Exchange in a timely manner and at the same time publish it in the investor relations section of its website (www.tokyo-gas.co.jp/IR/english/index.html).
LNG Value Chain for Value Creation

The Tokyo Gas Group contributes to the sustainable development of society by advancing its LNG Value Chain.

**Procurement and transportation**
- Material procurement (LNG)
- Material transportation

**Gas production and supply/power generation**
- Production and supply of city gas
- Power generation

**Sales and energy solutions**
- Sale of city gas and electric power
- Offering solutions

**Continual reduction in environmental burden during material procurement, transportation, and production**

**Increased use of natural gas to help reduce customers’ environmental burden**

**Stable and affordable LNG procurement capacity**

**Reliable solid infrastructure**

**Track record of almost half a century supplying LNG; Natural gas technology and maintenance know-how; Human resources; Business partners in Japan and overseas**

**Community-based sales network**
- Capability to propose total energy solutions that combine gas, electricity, and services

**Relationships of trust with over 11 million customers**

**LNG procurement volume**
- 14.24 million tons (equal to approx. 20% of Japan’s total)
- Diversified resource suppliers, contracts and network

**4 LNG terminals**
- Approx. 64,000 km gas pipelines in total
- 4 highly-efficient power stations (approx. 1.6 million kW in equity stake)

**Sales outlet network**
- Tokyo Gas Lifeval, Enesta, and Enefit
  - (185 outlets; approx. 14,000 staff)

**Enhancing of overseas business**
- (13 overseas bases)**
Tokyo Gas and the advantages of natural gas

Tokyo Gas was the first company in Japan to adopt LNG. For almost half a century since, we have built and operated an integrated value chain encompassing all aspects of LNG business; from procurement and transportation to supply and retail. By developing this track record and our accumulated expertise to even higher levels of sophistication, we are contributing to the sustainable development of society through the efficient use of natural gas.

Benefits of fuel conversion

- Eco-friendly; No need for storage;
- Improved operability (no cleanup);
- Labor saving; Stable supply

CO₂ emission reduction by fuel conversion

<table>
<thead>
<tr>
<th>Natural gas</th>
<th>Oil</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

Comparison of CO₂ Emissions

Natural gas: 60, Oil: 80, Coal: 100

Economic value

FY2020 targets

Operating cash flow

¥280 billion

ROE

around 8%

Total payout ratio

60%

Social value outcome

1. Energy security improvement
2. Environmental contribution
3. People’s safe and reliable lives and community development
Tokyo Gas continues to grow as “Energy Frontier”

For over 130 years, the Tokyo Gas Group has provided a stable and reliable supply of gas for industries and households to support economic development for all, and to ensure comfortable home environments and desirable lifestyles. At the same time, we have succeeded in creating and raising the corporate value of our Group companies.

The electric power and gas retail markets have now been fully deregulated. We regard this deregulation as an opportunity to propose and supply optimal energy systems as a set, including both electric power and gas. By continuing to implement our process of non-linear reforms (business transformation unprecedented in its boldness and fundamental reform of our organizational structure), and by advancing our unique “GPS×G” (Gas & Power × Service × Global) management plan for creating new value by specifying concrete initiatives with regard to what we can do as a company, we will continue working to ensure further advancements and breakthroughs for the Tokyo Gas Group into the 2020s.

* The numbers of gas customers and gas sales volumes are parent-based up to fiscal 2002 and consolidated-based from fiscal 2003.

1950

- Number of customers: 591 thousand*1
- Gas sales volume: 0.15 billion m³*1
- Electric power sales volume: 0 kWh
- Number of employees**: 5,837**2

1885
Tokyo Gas established

*1 Parent-based
*2 Employees include full-time employees and excludes seconded or temporary employees
**3 Regular employees

LNG suppliers (projects)
0

Length of pipeline network**: 10,756 km

Power stations (Tokyo Gas power generation capacity)
0 kW
CEO’s message
Carving out Energy Frontiers with Innovation

Having taken up the baton and responsibility of managing Tokyo Gas, it is my role to achieve the goals of The Tokyo Gas Group FY2018-2020 Management Plan (GPS2020) as far ahead of schedule as possible, and to ensure further advancement and breakthroughs for the Tokyo Gas Group into the 2020s.

By making innovations based primarily around natural gas, which is superior in terms of stability of supply, economic value and environmental friendliness, we will move forward in improving our corporate value, by evolving from the top city gas supplier in the Greater Tokyo Area into a truly global “energy frontier” company.

Achieving the goals of GPS2020 as far ahead of schedule as possible

I was appointed President and CEO of Tokyo Gas this April (2018). My appointment comes at a time when not only the city gas industry but the energy industry as a whole is experiencing major changes, and I feel tense to take on the role of managing the Tokyo Gas Group. Since joining the company in 1979, I have experienced working in both field and management positions in a wide range of areas, including gas transportation (pipelines), human resources, corporate planning, raw materials procurement, overseas business operations and household (consumer-oriented) services. Going forward, I will seek to make effective use of my past experiences in improving the corporate value of the Tokyo Gas Group.

In November 2011, in the aftermath of the Great East Japan Earthquake, we developed the Challenge 2020 Vision; a roadmap for achieving our vision of what kind of company we want to become in the long-term. I was involved in developing the plan in my position as General Manager of the Corporate Planning Department.

The vision outlines our corporate stance of contributing to society—specifically the energy industry, which is a key element of basic infrastructure supporting the lives of the public and all industrial activities—by advancing our LNG value chain.

Following on from our previous “Hop” (FY2012-2014) and “Step” (FY2015-2017) management plans implemented over the past six years, the greatest role that has been entrusted to me in taking up the management baton is to ensure the sure and steady implementation of the policies raised in our GPS2020 medium-term management plan, which represents the final three-year “Jump” stage of our Challenge 2020 Vision; and to solidify our foundation for future advancements and breakthroughs in the 2020s by achieving the plan’s targets as far ahead of schedule as possible.

What we aspire to achieve is not only to be the top city gas supplier in the Greater Tokyo Area, but to remain a company that carves out new energy frontiers globally, as a total energy corporation. Achieving the goals of GPS2020 represents achieving the realization of our corporate philosophy of becoming an “energy frontier” company. Now that the full
deregulation of the electric power and city gas retail markets has begun, securing electric power supply agreements with as many customers as possible will also play a role in protecting the foundations of our core gas business. Promoting and expanding the use of natural city gas through our electric power and gas operations will contribute to improving convenience for customers and to achieving a low-carbon society overall. I therefore want us to achieve these targets as far ahead of schedule as we possibly can.

We recorded an increase in sales and profits for the previous fiscal year, and achieved targets for securing electric power contracts ahead of schedule

In fiscal 2017 (the year ended March 31, 2018), which was the final year of the “Step” stage of our Challenge 2020 Vision, we posted operating profit of ¥116.3 billion. With this figure we greatly exceeded the original planned figure of ¥82 billion, and achieved a 99.3% increase in comparison with the previous year. We also achieved increases in profits for our city gas, electric power and overseas business operations. Although the alleviation of temporary factors that caused a decrease in profits for the previous year (which included sliding time lag effects and actuarial differences) contributed partly to the increase in profits for the year, we recognize the fact that we were able to achieve an increase in sales and profits despite the loss of some major wholesale gas supply contracts as the result of great efforts on the part of all our employees. For fiscal 2018 (the year ending March 31, 2019), assuming an exchange rate of ¥110 per U.S. dollar and an oil price of $65/bbl, we plan to achieve operating profit of ¥93 billion (a decrease of 20% y-o-y). The main factors behind this decreased profit plan are time lags in the reflection of crude oil prices and gas rates, and transient cost increases such as those associated with data transfers due to the startup of new core mission-critical systems. We ask that shareholders understand that it does not indicate a decline in our basic earning capacity. (Please refer to page 55.) Naturally, this does not mean that we are satisfied with this profit level, and we will endeavor to enable the addition of extra profits, and work to improve this profit level in the medium-term.

With regard to the retail sale of electric power, at the end of March 2017 we set the target of receiving applications from 1 million customers during fiscal 2017. This target was achieved ahead of schedule in October 2017, and as the end of March 2018 this figure had reached 1.25 million customers and is still rising.

In our overseas business operation, too, we are steadily making investments midstream and downstream business, such as power plants and city gas distribution businesses.

Evolving into a global total energy corporation with our GPS2020 medium-term management plan

Tokyo Gas Group currently stands at a turning point, an age of change unlike any that is has experienced before during its history of over 130 years. Although the city gas business was originally a regulated industry, since the time of our founding we have competed intensely with the electric power industry in areas such as lighting, hot water, heating and kitchen utilities. With the progression of the full deregulation of the electric power and gas retail markets, competition with electric power companies has become more directly, and we believe that market participation by other major energy companies and competitors from other non-energy industries is likely to increase in the future.

Tokyo Gas has summarized its awareness of the coming new era in terms of the following three perspectives—which also constitute prerequisites for the GPS2020 management plan—
In order to carve out energy frontiers with innovation, we will create a Silicon Valley location, and advance a program of digital innovation

as “The Era of Natural Gas,” “The Era of Single-Source Providers of Electricity and Gas,” and “The Era of Next-Dimensional Innovation Fueled by the Rapid Digital Evolution.” GPS2020 is a plan that aims to deliver gas (G), electric power (P), and services (S) to customers as a total package. We plan to deploy this system not only in the Greater Tokyo Area, but on a nationwide and—ultimately—global scale. What we are aiming for is to evolve from being “the Greater Tokyo city gas company” or “Japan’s leading city gas company” to being “a global total energy corporation.” In terms of financial aspects, in fiscal 2020 (the year ending March 31, 2021), we aim to achieve a total of ¥130 billion in operating profit and equity income of subsidiaries, operating cash flow of ¥280 billion—an upward adjustment from the original figure of ¥250 billion set in the Challenge 2020 Vision—and ROE of approximately 8%.

GPS×G: Strengthening our gas (G), electric power (P) and services (S) operations globally (G)

The most significant background difference between the new management plan and past medium-term management plans is that we are now able to deliver not only gas but also electric power to our customers in a set package, due to the full deregulation of the electric power and city gas retail markets. This allows us to propose optimal energy solutions to our 11 million customers to match their actual state of energy usage. By 2020, we aim to deliver Tokyo Gas Group electric power to 2.2 million customers (equivalent to approximately 10% of the Greater Tokyo Area), and will be investing in power stations to match this target. Through these investments, we will aim to expand our current power generation capacity of 1.6 million kW to 3.0 million kW by fiscal 2020, and to a scale of around 5.0 million kW during the 2020s. With regard to renewable energy sources, too, we will aim to develop 0.4 million kW during the early half of the 2020s. In terms of promoting and expanding widespread use of natural gas, we have completed our Ibaraki Line for developing demand in the Northern Kanto area, and are strengthening our partnerships with nearby city gas and LP gas suppliers, who are our wholesale customers. We will also be building alliances with energy suppliers and other partners across our entire LNG value chain, and engaging in activities such as LNG financing and trading of raw materials with these partners, in order to create an optimal energy supply structure. One service that we will be offering to residential customers, as a priority business, is the provision of support services for various problems faced around the home—including plumbing, house cleaning and other such services—in combination with gas and electric power.

For commercial customers, we will offer support with regard to optimal supply of gas and electric power, such as in the installation of commercial-use fuel cells aimed at convenience stores, family-oriented restaurant chains and other such customers.

For industrial customers, we will aim to supply not only gas and electric power, but batch supply of all necessary utilities, including heat and water for industrial use.

In North America and other such markets, where there is great demand for energy, and where deregulation and energy market transactions are progressing ahead of Japan, we will continue to participate in upstream business operations, with a primary focus on shale gas, and midstream and downstream operations such as power stations; seeking to acquire and utilize expertise that will contribute to future operations both in Japan and overseas, while at the same time strengthening our revenue base. In the Southeast Asia region, where rising demand for natural gas and growth of LNG imports are expected as a result of rapid economic growth, we will seek to contribute to the construction of LNG value chains in local regions by building energy infrastructure and introducing natural gas, while working in partnership with national governments and local companies.

Creating a Silicon Valley location and advancing a program of digital innovation

As we head towards the era of next-dimensional innovation, we have established a Digital Innovation Division, for the two key purposes of (1) improving operational efficiency and labor saving and (2) creating new businesses.

Firstly, in terms of efficiency and labor saving, there are several areas in which there is significant room for improving efficiency, saving labor and reducing costs through the effective use of ICT. For example, these include improvements that will enable regular maintenance patrol visits when customers are at home (improving work rates for maintenance inspections with approximately 1,000 personnel), improving work efficiency for telephone-based contract-acquisitions (efficient operation with approximately 1,000 operators), and improving capacity utilization rates for thermal power stations.

We believe that this will also have major benefits in terms of passing on skills—which until now have depended on individual experience and intuition—and improving work quality.

With regard to creating new business operations, we will work to link new technologies on to achieving the realization of new possibilities; such as by improving the performance of ENEFARM residential fuel cells by leveraging the power of IoT, achieving efficient operation of heating appliances by integration of floor heating and air-conditioning systems, selling electricity generated using photovoltaic (solar) power generation to other households, and payment settlement using blockchains.

Currently, we are investing in venture capital and engaging in information gathering and open innovation through the activities...
What we are aiming for is to evolve from being “the Greater Tokyo city gas company” or “Japan’s leading city gas company” to being “a global total energy corporation.”

What I want to tell you

- We will aim to achieve the goals of our GPS2020 medium-term management plan as far ahead of schedule as possible.
- We are already achieving our targets for numbers of electric power contracts after deregulation of the electric power retail market ahead of schedule.
- GPS×G: We will strengthen our gas (G), electric power (P) and services (S) operations globally (G) and evolve from being “the Greater Tokyo city gas company” or “Japan’s leading city gas company” to being “a global total energy corporation.”
- We will carve out energy frontiers with innovation. We will create a Silicon Valley location, and advance a program of digital innovation.
- Our strength lies in our invisible assets, such as the trust of our customers and business partners, and the human resources and technologies that support it.
- ESG: We believe that developing energy frontiers is a form of social contribution.
practices and our proactive promotion of female employees, for two consecutive years we have been selected as a Nadeshiko Brand—an enterprise that actively promotes and encourages the empowerment for women—in a joint scheme run by Ministry of Economy Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).

With regard to corporate governance, we have modified the balance between executive and monitoring functions by increasing our ratio of outside to internal directors, with 5 internal directors—one of whom does not have executive authority—and three outside directors (compared with eight internal and three outside directors up until last year.) Although Tokyo Gas is not a “Company with Committees” (as provided for under the Companies Act), we do have an Advisory Committee which deliberates on personnel and remuneration for company officers. The Advisory Committee consists of five members: two outside directors, one outside Audit and Supervisory Board member, the Chairman (executive director with no additional role) and myself (executive director with additional role). In this way, we maintain a balance by having the majority of members as outsiders, and everyone besides myself as non-executive officers.

**Riding out the waves of deregulation and aiming to achieve breakthroughs as a total energy corporation**

One historical figure that I am particularly drawn to is Toshiakira Kawaji, kanjo-bugyo (the Commissioner of Finance in the Edo period), who played an active role in the signing of the Treaty of Commerce and Navigation between Japan and Russia during the Bakumatsu period, which marked the final days of the Tokugawa Shogunate.

Despite being part of the historical organization that was the Shogunate, and in the face of demands from foreign powers for opening up Japan to foreign trade and the signing of treaties with harsh terms and conditions, Kawaji made valid and justifiable arguments from the perspective of ensuring the survival of his country that earned him the respect of his negotiation partners, and built new relationships by diplomatic means. I think that there are many things that we can learn from him.

For my part, even in the face of the massive surging waves of deregulation, I want us to push through without losing sight of our pride and mission as a public utility company, developed over our 130+ year history, and to build a foundation for future development and advancement as a total energy corporation.

Finally, I want to say that I regard the run-up to 2020 as a period for preparing for future breakthroughs in the coming decade. We are still in the investment stage, but we will still continue to generate solid profit and maintain a total payout ratio of at least 60%. Through dialogues with our stakeholders, we will aim to achieve further improvements in our corporate value.

I ask that our stakeholders will continue to support the Tokyo Gas Group, as we continue in our challenge to become a total energy corporation.
Achieving a balanced operating cash flow distribution based on our business strategy

As Senior Managing Executive Officer, I participate in the process of determining company-wide management strategy. At the same time, as CFO, I am in charge of financial and capital policy. Tokyo Gas’s basic policy for its financial strategy is to achieve a balanced distribution of operating cash flow between (1) full and stable shareholder payouts, (2) growth investments, and (3) maintaining sound financial health. We will continue to review and adjust this balance as needed, based on factors such as our medium to long-term business strategy and capital market trends at the time.

With regard to shareholder returns, we have announced our commitment to maintaining a total payout ratio of 60% until fiscal 2020. If you look at our track record over the past 12 years since fiscal 2006, when we set the target of a 60% total payout ratio, you can see that we have consistently maintained that payout ratio by steadily increasing dividends in combination with appropriate share repurchases. We are confident that this 60% total payout level remains competitive, not only amongst companies in the Japanese electric power and gas sectors, but in capital markets overall.

In terms of growth investments for the future, we will continue to focus our investments into the expansion of our natural gas and LNG value chain, which will continue to play an important role into the 2020s, and in other areas that will contribute to the advancement of the Greater Tokyo Area, which continues to exhibit high growth potential.

In addition to expanding its electric power business by building its own high-efficiency gas-fired thermal power plants, Tokyo Gas will also continue to take a proactive approach to challenges in new fields; for example, such as by increasing added value by combining those conventional power sources with renewable energy sources.

Meanwhile, with regard to financial health, which is our basis for minimizing financing costs, ensuring stable management and securing the trust and confidence of customers, we have already secured a certain level.

Based on the assumption of consistent shareholder payouts and proactive growth investments for the future, by fiscal 2020, our D/E ratio is expected to rise from the current level of 0.64 to around 0.9, which we consider to be within acceptable levels.

Seizing opportunities for growth through appropriate investments

Adding a few words about growth investments, natural gas is an excellent source of energy in terms of the global environment and other such perspectives, and significant
growth in demand is still expected to continue in the Greater Tokyo Area, which is our main business area.
With the completion of the Hitachi LNG Terminal expansion and the Ibaraki Line (currently under construction), we will achieve a complete loop in our Greater Tokyo high-pressure pipeline network, thereby further increasing the stability of our natural gas supply infrastructure. Based on this, we want to unleash the maximum potential of natural gas. As one technology development initiative to help achieve this, we will actively incorporate methods such as open innovation, with our sights also set on the arrival of “Society 5.0.”
When making decisions with regard to significant investments, in addition to making multi-faceted evaluations and analyses of the profitability and risks involved in the preliminary stages of each project, we also hold Investment Evaluation Committee meetings to verify the strategic significance of the investment. After the decision has been made to proceed with an investment, the Committee periodically validates the performance and future outlook of each project. In this way, we are making efforts to ensure appropriate and timely judgments with regard to the future of each investment project.

### Capital Expenditures and Gas Sales Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Gas sales volume (billion m³)</th>
<th>Capital expenditures (LH) (billion ¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996.3</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>2000.3</td>
<td>5</td>
<td>225</td>
</tr>
<tr>
<td>2005.3</td>
<td>10</td>
<td>150</td>
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<tr>
<td>2010.3</td>
<td>15</td>
<td>75</td>
</tr>
<tr>
<td>2018.3</td>
<td>20</td>
<td>0</td>
</tr>
</tbody>
</table>

1 Non-consolidated basis up to fiscal 1998; consolidated-basis from fiscal 1999 (Including the gas volume used in-house under tolling arrangement and the LNG sales volume.)

As CFO I act as chairman of the Investment Evaluation Committee. We have set a hurdle rate (a standard for judging profitability) that reflects a conscious awareness of our capital costs, and are striving to ensure disciplined investments, with a view to achieving our FY2020 ROE target of 8%. However, we also believe that achieving sustainable growth amidst the uncertainty of the future business environment will require strategic thinking from a medium to long-term perspective and carefully-considered risk taking. For this reason, recently, we are investing particular energies into identifying issues that will contribute to overall management decisions and fundamental debates.

### Paying thorough attention to corporate governance in management

In addition to multi-faceted and comprehensive overall debates, I believe that making our business strategies more fruitful and rewarding will also demand logical judgement, without denial of inconvenient facts. Achieving this will require a mechanism for supervising and checking its appropriateness of how our business is operated, and I believe that is exactly what corporate governance represents.

I place particular importance on constructive dialogues (or “engagement”) with shareholders and investors. Shareholders and investors each have their own various ways of thinking, and their own decision-making criteria, and are by no means one unified group. But we endeavor to listen constantly and humbly to their opinions. Together with the CEO and our investor relations (IR) representative, I work to create numerous opportunities for such engagement, totaling around 250 times per year, covering main themes that include the background and future outlook of our investment strategy, and the impact of the deregulation of the electric power and gas markets. Tokyo Gas has been selected in three ESG assessment indexes used by Japan’s GPIF (Government Pension Investment Fund: the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index (WIN). I also regard our inclusion in these indexes as an achievement of these initiatives.

Next year, it will be 50 years since Tokyo Gas became the first company to import LNG to Japan. Moving forward, we will continue working to increase our corporate value by drawing out the maximum value of natural gas. We ask for the continued understanding and support of our shareholders.
The Great East Japan Earthquake and the subsequent nuclear power plant accident and the issue of demand and supply of electricity forced the country to examine the state of our energy, the foundation of the lives of the public and industrial activities. Amid such an environment, we aim to make contributions through the advancement of the LNG value chain.

GPS2020

In November 2011, the Tokyo Gas Group released its Group Management Vision: “Challenge 2020 Vision - Initiatives by the Tokyo Gas Group for Energy and for the Future”.

In our previous management plans, “Hop” (FY2012-2014) and “Step” (FY2015-2017), our goals were to realize a total energy and global corporate group. In addition to widely expanding our business domains and areas, and forming seven business domains, we also built a new group formation.

During the “Jump” period, we will deploy the Tokyo Gas Group’s “GPSxG” system to generate real new value in “the things we can do” while pressing forward with ongoing a comprehensive vision of non-continuous reform (business transformation unprecedented in its boldness and fundamental reform of our organizational structure). The 2020s will be a period of solid growth and forward movement.

In our previous management plans, “Hop” (FY2012-2014) and “Step” (FY2015-2017), our goals were to realize a total energy and global corporate group. In addition to widely expanding our business domains and areas, and forming seven business domains, we also built a new group formation.

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Tokyo Gas’s Concept of the Coming Era

In formulating our management plan, Tokyo Gas has summarized its awareness of the coming new era in terms of three specific perspectives.

The three perspectives are: “The Era of Natural Gas,” “The Era of Single-Source Providers of Electricity and Gas,” and “The Era of Next-Dimensional Innovation Fueled by the Rapid Digital Evolution.”

1. The Era of Natural Gas
   With its excellent stability, economics, and environmentally friendly characteristics, natural gas is becoming an increasingly important energy source, both in Japan and around the world. Going forward, natural gas is expected to become more widely used, in a greater range of fields and areas, as it expands dynamically on a global scale.

2. The Era of Single-Source Providers of Electricity and Gas
   Until now, customers in Japan were only able to buy electricity from electric power companies, and gas from gas companies. But now, with the full deregulation of the electric power and gas retail markets, consumers in Japan can now purchase both electricity and gas from a single supplier. Moving forward, it will now be possible for us to propose and introduce optimal energy systems combining both gas and electric power.

3. The Era of Next-Dimensional Innovation Fueled by the Rapid Digital Evolution
   The rapid evolution of digital technologies such as IoT and AI is having an enormous impact on daily life and industry. These technologies are expected to spur new kinds of innovation that differ from anything seen before. We will pay close attention to such changes as we move forward.
Proposing services to meet the needs of customers with GPS

Gas and electricity packages
Meeting customer needs with various service combinations
Using various means
To reach a greater number of customers

G&Ps
Gas & Power

S
Services

Visits, stores (Lifeval, etc.)
- Call center (Customer center)
- PCs, smartphones, IoT
- Digital marketing
- Energy management

Residential customers

Commercial and Industrial customers

FY2020 profit breakdown
Operating profit + equity income

FY2017
FY2020
Future

Overseas
20%

Gas
50%

Electric power
10%

Services / Other
20%

Gas / Electric power

Y107 billion

Y130 billion

Overseas

Services / Other

Gas / Electric power

Increase numbers of customers

Work to achieve more widespread use of city gas and LPG

Provide gas and electricity services as a set by proposing optimal energy plans that combine gas and electricity as only Tokyo Gas can

New value-added proposals to address low-carbon, digitalization and new technologies

Optimal proposals, implementation and maintenance for energy facility and equipment

Smart management utilizing smart meters, IoT and AI

Lifestyle and business support

G&P S
Gas & Power Services

Gas & Power

-optimal proposals, implementation and maintenance for energy facility and equipment
-smart management utilizing smart meters, IoT and AI
-lifestyle and business support

To reach a greater number of customers

Using various means

Meeting customer needs with various service combinations

Gas and electricity packages

FY2017
FY2020
Future
Tokyo Gas Group FY2018-2020 Medium-Term Management Plan

GPS2020

In addition to gas and electric power as a package, we will propose and deliver optimal service combinations to match customers’ lifestyle and business needs.

Lifestyle services including gas devices and equipment

Engineering services

Regional development services (Real estate)

Utilizing our experience in the LNG value chain management, we will deepen and expand our business operations according to the regional characteristics of each area.

North America
- We will participate in upstream, midstream and downstream business operations to acquire know-how and enhance our revenue base.

Southeast Asia
- This area is expected to see further growth. We will continue to drive initiatives in midstream and downstream business operations.

Australia
- We will seek to maximize the value of existing projects, with a primary focus on upstream interests.

Cash flow distribution method for FY2018-2020

Investments for infrastructure development, future advancements, and breakthroughs

<table>
<thead>
<tr>
<th>Business</th>
<th>Total amount of investment over 3 years (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
<td>500 (49%)</td>
</tr>
<tr>
<td>Electric power</td>
<td>30 (3%)</td>
</tr>
<tr>
<td>Services / Other</td>
<td>230 (23%)</td>
</tr>
<tr>
<td>includeing Real estate</td>
<td>100</td>
</tr>
<tr>
<td>Overseas</td>
<td>260 (25%)</td>
</tr>
</tbody>
</table>

**FY2018-2020**

(Avg. 340 billion yen / year)

*Equivalent to 60% of consolidated net profit in FY2018 to FY2020

*Figures for FY2017 are values forecast at the time of plan formulation.
City Gas and Electric Power Businesses
After Full Deregulation

After the phased and subsequent full deregulation of the electric power retail market in April 2016 and of the retail gas market in April 2017, Japan’s energy market has become fully deregulated.

Progress of deregulation
Deregulation has progressed in phases, shifting from large-lot to small-lot sales.

Electric power service area
Electric power service covers the whole of Japan

All electric power grids across the whole of Japan, from Hokkaido in the northeast to Kyushu in the southwest, are connected by power distribution lines. This infrastructure enables power exchange (lending) across the conventional barriers between individual power companies, and supports the stable supply of electricity and efficient operation of power generation facilities.

Although in Japan electricity is distributed at frequencies of either 50Hz (East Japan) or 60Hz (West Japan) depending on the region, the installation of specialized transformer equipment in Nagano and Shizuoka prefectures has enabled the transformation and mutual exchange (lending) of certain volumes of electric power even between east and west.
Moving forward city gas service will continue to expand the city gas service area.

Because city gas business developed through efficient pipeline network construction, utilizing economies of scale, the supply areas are centered primarily around urban areas, and city gas business do not currently operate in regions with low population densities or low industrial concentrations. In Japan, city gas business rely on LNG imports from overseas for the majority of our raw materials, and have established a supply infrastructure, within the scope of reason, by constructing LNG terminals in proximity to major consumer areas. Because of this history, the development of a nationwide gas pipeline network has not progressed in the same way as the electric power business.

In the Japanese government’s gas system reforms, too, experts have pointed out the necessity for developing an overall optimal pipeline network, and considerations are currently underway with regard to this.
Gas Business

City Gas and LNG sales

Outline
Applications of gas from the Tokyo Gas Group span a wide range, from household cooking, heating, and hot water, to commercial air conditioning, industrial use, power generation, and other uses. The Tokyo Gas Group has also extended its coverage from the Kanto region encompassing Tokyo and its adjacent three prefectures (Kanagawa, Chiba, and Saitama) to North Kanto (Ibaraki and Tochigi), by lengthening its pipeline network to serve more customers and cater to more demand.

Strengths
- Customer base of over 11 million customers and the trust relationship with customers who have close ties with local communities
- Delivery of safety and reliability to customers for many years
- The Kanto region centered around Tokyo, with its high concentration of production and consumption, as our primary sales area (the Kanto region accounts for around 40% of Japan’s total GDP)
- Safety-related know-how and energy solution technology capabilities

Risks
- Difficulties in raw materials procurement due to the impact of geopolitical risks, etc., with regard to raw materials imports
- Supply issues due to damage to production and supply facilities stemming from a large-scale disaster
- Intensified competition driven by market deregulation; decline in demand caused by changing lifestyle

Gas Sales Volume and Number of Customers

Net sales and Operating Profit

Factors affecting revenues and expenses

Outline
Applications of gas from the Tokyo Gas Group span a wide range, from household cooking, heating, and hot water, to commercial air conditioning, industrial use, power generation, and other uses. The Tokyo Gas Group has also extended its coverage from the Kanto region encompassing Tokyo and its adjacent three prefectures (Kanagawa, Chiba, and Saitama) to North Kanto (Ibaraki and Tochigi), by lengthening its pipeline network to serve more customers and cater to more demand.

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In May 2018, Tokyo Gas began receiving its first shipments of LNG in Negishi LNG Terminal from the Cove Point LNG Project, our first project procuring LNG from a gas-rich shale source in the United States.

Based on the memorandum of understanding on a strategic alliance signed with Centrica (Centrica LNG Company Limited, a subsidiary of leading UK-based energy and services company Centrica plc) — one of the UK’s leading energy companies—in November 2016, Tokyo Gas will aim to create a framework to exchange its LNG with LNG procured by Centrica in the Asia-Pacific region, and enable cost reductions by improving efficiency in the transportation of LNG.

Project Benefits
1. Diversify resource suppliers
   The Cove Point project is our first project to procure LNG from a gas-rich shale source in the United States
2. Diversify contract terms and conditions
   Linked to the U.S. natural gas prices, no restrictions on shipping destinations
3. Diversify our LNG network
   We are developing an LNG value chain linking Asia, North America and Europe (aiming to achieve the concrete realization of the memorandum of understanding on a strategic alliance signed with Centrica (UK))
Japan relies heavily on imports for procuring natural gas. LNG import prices are generally determined by a mechanism linked to the price of crude oil. With the aim of achieving stable and affordable LNG procurement under these conditions, the Tokyo Gas Group is driving three types of diversification: diversification of resource suppliers (procurement sources), diversification of contract terms and conditions, and diversification of its LNG network.

### Resource suppliers (procurement sources)

In addition to its conventional procurement sources in Southeast Asia, Australia, and Sakhalin (Russia), Tokyo Gas has also begun receiving LNG from the Cove Point LNG Project in the United States. Upon commencing receipt of LNG from the Ichthys Project in Australia (scheduled to commence during fiscal 2018), the Group will have increased its number of LNG suppliers to 14 projects in 6 countries. We have also reached a basic agreement on joint procurements with Centrica (UK) in Mozambique, Africa. Through efforts such as these, we are working continuously to enhance the stability of our LNG supply, by considering LNG procurement from a wide range of areas and regions.

### Contract terms and conditions

By adding contracts linked to US natural gas prices and other benchmark indicators, in addition to conventional crude oil price-linked contracts, we aim to stabilize our procurement costs. We also plan to increase the number of contracts with no restrictions on shipping destinations and other matters, and increase our ratio of short-term "spot" procurements, in order to enhance our flexibility.

### LNG Network

By establishing an LNG network that connects the markets in Asia, North America and Europe, we aim to improve LNG transportation efficiency, reduce cost differentials in market prices among regions, and increase our flexibility; which will contribute to making supply and demand adjustments.

With the full deregulation of the electric power and gas markets, uncertainty with regard to demand for city gas is increasing, and there is a growing need for more flexible handling of demand fluctuations and more competitive LNG procurement. In order to tackle issues such as these, Tokyo Gas is expanding the scale of its LNG trading activities.

As a concrete example, we are engaged in initiatives to increase options for making flexible adjustments to supply and demand, such as by aiming to reduce raw material costs (such as by reducing shipping distances and Panama Canal transit tolls) by exchanging cargo-unit volumes of LNG procured by Tokyo Gas in the United States with LNG procured by the Centrica Group (UK) in the Asia-Pacific Region.

Moving forward, we will aim to further improve our competitiveness and flexibility by continuing to increase trading with alliance partners both in Japan and overseas.
Promoting the widespread use and expansion of distributed energy systems

Cogeneration systems supply electricity and heat by using city gas as fuel. In addition to the installation of facilities at the point of demand, cogeneration systems help enhance energy efficiency, reduce the amount of CO₂ emissions, and improve economic efficiency through the conservation of energy by effectively utilizing both electricity and waste heat. Having identified cogeneration system as a strategic product, Tokyo Gas is promoting adoption of the residential fuel cell system ENE-FARM and, for commercial and industrial customers, optimal cogeneration systems matching their demand.

Installation Results (March 2018)

<table>
<thead>
<tr>
<th>ENE-FARM</th>
<th>Cogeneration System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reached 100,000 units in cumulative sales of ENE-FARM</td>
<td>2.07 million kW (equivalent to the capacity of about 2 nuclear power stations)</td>
</tr>
</tbody>
</table>

*Energy efficiency stated above is calculated based on certain assumptions made by Tokyo Gas.

Expansion of Natural Gas Usage through Infrastructure Development

Plans to invest ¥500 billion in gas business over a three-year period (FY2018-2020)

Under the GPS2020 management plan, Over a period of three years (FY2018-2020), Tokyo Gas plans to invest ¥500 billion, equivalent to approximately half of the total amount of investments for the overall plan, to enable the safe and stable delivery of city gas to customers. In addition to investments for security, stable supply, and promotion and expansion of city gas usage (maintenance and improvement of pipeline facilities, etc.), we will also carry out large-scale improvements to equipment and facilities, including the completion of the Ibaraki Line, expansion of the Hitachi LNG Terminal, and the construction of a customer information management system.

Significant potential demand in the Northern Kanto area

Tokyo Gas puts particular strategic emphasis on the Northern Kanto area, which has strong potential demand for natural gas owing to its numerous large-scale industrial districts. We aim to expand gas sales volume from 19.1 billion m³ in fiscal 2017 (forecast at the time of formulation of GPS2020) to 20.7 billion m³ by promoting and expanding the widespread use of natural gas by extending the length of our pipeline network and lorry supply; and providing energy solutions including energy conservation, CO₂ reductions and cost reductions via the use of natural gas and gas appliances.

Wider Energy Supply Business

Area-wide Energy supply to Kiyohara Industrial Park

We are proceeding with construction of an energy center, mainly consisting of a 30 thousand kW-class cogeneration system, to supply electricity and heat to multiple facilities (three companies and seven facilities) in the Kiyohara Industrial Park in Utsunomiya City, Tochigi Prefecture. The Tokyo Gas Group, to achieve maximum efficiency in serving these customers, will monitor the fluctuating load of each facility and engage in optimally balanced operation to supply energy. This will be one of the largest area-wide energy supply undertakings in an inland industrial park in Japan. We are promoting widespread use and expansion of distributed energy systems and tapping industrial demand.
Promoting and expanding the widespread use of gas in the Northern Kanto area

Achievements of the Chiba-Kashima Line

The Chiba-Kashima Line commenced operation in March 2012, and has succeeded in dramatically increasing our gas sales volume in Kashima waterfront industrial zone. As a result, our gas sales volume in that area has grown to such an extent that it now accounts for approximately 10% of our total consolidated gas sales volume.

Securing Potential Demand in the Kanto Area

In October 2015, Tokyo Gas commenced operation of its Saito Line (connecting Soka, Saitama and Koga, Ibaraki). This was followed by the opening of our Hitachi LNG Terminal and the Ibaraki-Tochigi Line (between Hitachi, Ibaraki and Moka, Tochigi) in March 2016; and the Koga-Moka Line (between Koga, Ibaraki and Moka, Tochigi Prefecture) in October 2017. By linking our three LNG terminals in Tokyo Bay and our existing trunk line network, we have completed a loop of high-pressure trunk lines in our primary supply area, and improved the stability of our supply infrastructure. Capitalizing on our infrastructure development efforts, Kobelco Power Moka is constructing a natural gas-fueled thermal power plant in Moka City, Tochigi Prefecture. In addition to an expected increase in gas sales volume by supplying gas to this power plant, we are also working to further develop potential demand. Additionally, we are constructing a new Ibaraki Line that will connect the cities of Hitachi and Kamisu in Ibaraki Prefecture, aiming to commence operation in fiscal 2020. The completion of this line will enable even greater widespread promotion and expansion of natural gas usage in the Kanto region.

Lorry-based LNG sales

Even in regions where gas pipelines have not been laid, Tokyo Gas is enabling the use of natural gas by transporting LNG using lorries. We have a track record of over 40 years transporting LNG in this way since 1969, and have the largest scale lorry-based supply business in Japan, with over 190 vehicles.

Expanding business operations through alliances with other LPG business operators, etc.

By forming alliances and collaborating with various LPG industry players, Tokyo Gas will seek to achieve highly-efficient delivery and improve maintenance and customer service levels, to achieve a business scale of around 1 million customers by fiscal 2020.

Utilizing LNG cold energy to manufacture and supply industrial gases

We make effective use of LNG cold energy, to manufacture and supply affordable high-grade industrial gas. We are also seeking to enhance our sales capabilities by offering one-stop solutions to large-account customers by combining LNG, engineering, and other Tokyo Gas services.

<table>
<thead>
<tr>
<th>Direct sales</th>
<th>Distributors</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 thousand</td>
<td>240 thousand</td>
</tr>
<tr>
<td>FY2017</td>
<td>FY2017</td>
</tr>
<tr>
<td></td>
<td>Y1.7 billion</td>
</tr>
<tr>
<td></td>
<td>FY2017</td>
</tr>
</tbody>
</table>

Structure of Tokyo Gas Liquid Holdings

Tokyo Gas Liquid Holdings

Tokyo Gas Energy

Sales of LPG

Tokyo Gas Chemical

Manufacturing and sales of industrial gas, utilizing LNG cold energy

Examples of alliances with LPG business operators

Established Gas Crew Co., Ltd.

logistics management company (July 2018)

Astomos Energy Corporation, ENEOS Globe Corporation

Comprehensive alliances

Astomos Energy Corporation (October 2016)

Saisan Co., Ltd. (February 2017)

Test project to validate IoT-based remote meter-reading/telemetry (June 2017)

Azbil Corporation, Azbil Kimmon Co., Ltd.
Since 2000, when the Tokyo Gas Group began to generate and supply electric power, it has engaged in a comprehensive range of business activities that extend from fuel procurement to power generation and sales. Among the new entrants to the sector following the start of deregulation, we own one of the largest power stations in the Greater Tokyo region, and sell generated power to wholesale and large-lot customers. With the full deregulation of the electric power retail sector in April 2016, we also began selling electricity to residential and commercial customers.

By providing customers with value such as value for money, peace of mind, simplicity and convenience, we will continue to expand our electric power business operations and thereby increase our corporate value.

### Outline

Since 2000, when the Tokyo Gas Group began to generate and supply electric power, it has engaged in a comprehensive range of business activities that extend from fuel procurement to power generation and sales. Among the new entrants to the sector following the start of deregulation, we own one of the largest power stations in the Greater Tokyo region, and sell generated power to wholesale and large-lot customers. With the full deregulation of the electric power retail sector in April 2016, we also began selling electricity to residential and commercial customers.

By providing customers with value such as value for money, peace of mind, simplicity and convenience, we will continue to expand our electric power business operations and thereby increase our corporate value.

### Strengths

- Some of the largest-scale, most highly-efficient power sources among the new power suppliers in the Greater Tokyo region
- Community-based sales network (operated by Tokyo Gas, Lifeval, Enesta, etc.) and over 11 million customers as a base
- Power source infrastructure, operational know-how and systems aligned with both wholesale and retail sales

### Risks

- Decline in price competitiveness of LNG thermal power generation, associated with changes in prices of raw materials and fuels
- Potential damage to power generation facilities and supply issues of raw materials and fuels, stemming from a large-scale disaster

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### The era of single-source providers of electricity and gas

For many years, customers in Japan were only able to buy electricity from electric power companies, and gas from gas companies. With the full deregulation of the electric power and gas retail markets, consumers in Japan can now purchase both electricity and gas from a single supplier, just as in the EU and the US.

Based on this, the Tokyo Gas Group will aim to expand its energy business through the proposal and deployment of optimal energy systems.

### Full Deregulated Market of the Electricity and gas

<table>
<thead>
<tr>
<th>Number of companies*</th>
<th>Approximate potential customers (Million)</th>
<th>Approximate market size (¥ trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>10</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>Within TEPCO’s domain</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>City gas</td>
<td>203</td>
</tr>
</tbody>
</table>

*Former general electric power operators and former general city gas operators

*From materials officially announced by the Ministry of Economy, Trade and Industry
Selling approximately 5% of electricity demand in the Greater Tokyo Area

The Tokyo Gas Group launched its electric power business in the year 2000. Seizing the opportunity of the full deregulation of the electric power retail market in 2016, the Group expanded its sales to residential and commercial customers, in addition to the existing wholesale segment, selling an electricity volume of around 14.7 billion kWh in fiscal 2017. This volume is equivalent to around 5% of total demand in the Greater Tokyo Area. By 2020 we plan to expand this volume to 31.0 billion kWh, equivalent to around 10% of total demand in the Greater Tokyo Area.

Market Share Amongst New Electric Power Market Entrants (Low-Voltage Market)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. 1 amongst new market entrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>29.0%</td>
</tr>
<tr>
<td>FY2017</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

Achievements over the past two years since the full deregulation of the electric power retail market

We have marketed and provided the “Always Plan,” a one-stop package that delivers gas, electric power, and various other services, to support our expansion into the electric power retail market. As of March 31, 2018, we are now supplying electric power to 1.13 million customers. In fiscal 2017, following on from 2016, we again secured the No. 1 market share position among new entrants in the low-voltage market.

Moving forward, we will establish new payment rate plans and develop our range of services so that more customers may continue to feel that they are receiving a service that represents good value, with the aim of delivering Tokyo Gas Group electric power services to 2.2 million customers by fiscal 2020; and continue to increase the number of customers to whom we provide gas, electricity and other services as a one-stop package.

Electricity Sales Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Wholesale kWh</th>
<th>Retail kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>8.27 billion</td>
<td></td>
</tr>
<tr>
<td>FY2016</td>
<td>12.65 billion</td>
<td></td>
</tr>
<tr>
<td>FY2017</td>
<td>14.66 billion</td>
<td></td>
</tr>
<tr>
<td>FY2020 (Planned)</td>
<td>31.00 billion</td>
<td></td>
</tr>
</tbody>
</table>

Number of Retail Customers

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016.3</td>
<td>0.667 million</td>
</tr>
<tr>
<td>2017.3</td>
<td>1.13 million</td>
</tr>
<tr>
<td>2018.3</td>
<td>2.2 million</td>
</tr>
<tr>
<td>2021.3 (Planned)</td>
<td>3.0 million</td>
</tr>
</tbody>
</table>

Sustainable Development Goals

Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Helping to prevent global warming through power generation

With its high-efficiency gas-fired thermal power stations, adopting the latest cutting-edge gas turbine combined cycle technology, and wind power generation facilities, Tokyo Gas is contributing to the prevention of global warming.

We have also decided to accept supply of electric power from Moka Power Station, which is currently under construction by Kobelco Power Moka Inc., and are driving the development of renewable energy power sources such as photovoltaic and wind power generation, such as through the signing of a capital partnership agreement with Shizen Energy Inc.

*Scale of output from Tokyo Gas owned power sources: 1.6 million kW
Expand power sources
Prompted by the full deregulation of the electric power retail market in 2016, Tokyo Gas began delivering electricity to low-voltage residential and commercial customers, in addition to serving the wholesale market.
To do so, and to match the growth of our sales stock with the aim of delivering electric power to 2.2 million retail customers by fiscal 2020, we will continue to increase and expand our network of Tokyo Gas owned power sources.
In line with our targets of achieving approximate total power output of 3.0 million kW by fiscal 2020 and 5.0 million kW during the coming decade, we are developing our own power sources while at the same time making effective use of alliance power sources (electric power purchasing agreements with power companies, etc.) and market sources.
In addition to the Tokyo Gas Group’s own power stations, it has been agreed that electric power generated at Moka Power Station, which is under construction by KOBELCO, one of Japan’s largest Independent Power Producers (IPPs), will be supplied to Tokyo Gas.

Electric Power Expansion Plan

![Electric Power Expansion Plan](image)

Aiming for the scope of 5 million kW

- **2017**: 1.6 million kW
- **2020**: 3 million kW
- **2020s**:
  - Moka Power Station (gas-fired power generation, approximately 1.2 million kW, all to be purchased by the Tokyo Gas Group) is progressing smoothly towards starting operations in fiscal 2019.
  - To further expand our range of power sources, we are continuing our evaluations for the Chiba-Sodegaura Energy (joint investment with Kyushu Electric Power and Idemitsu Kosan), and a thermal power plant project in Ibaraki Prefecture, among others.

Procurement of Group-owned power sources and alliance power sources
Construction of the Moka Power Station (gas-fired power generation, approximately 1.2 million kW, all to be purchased by the Tokyo Gas Group) is progressing smoothly towards starting operations in fiscal 2019.
To further expand our range of power sources, we are continuing our evaluations for the Chiba-Sodegaura Energy (joint investment with Kyushu Electric Power and Idemitsu Kosan), and a thermal power plant project in Ibaraki Prefecture, among others.

In addition to our competitive natural gas-fired thermal power sources and base load supply sources, we will also promote initiatives aimed at expanding renewable power sources, in order to address the issue of preventing climate change.

The Group’s Natural Gas-Fired Thermal Power Plants

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Generation Capacity</th>
<th>Owned Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Gas Baypower Co., Ltd.</td>
<td>0.10 million kW</td>
<td>0.10 million kW</td>
</tr>
<tr>
<td></td>
<td>0.1 million×1unit</td>
<td></td>
</tr>
<tr>
<td>Start of operations 2003</td>
<td>Tokyo Gas interest 100%</td>
<td></td>
</tr>
<tr>
<td>Tokyo Gas Yokosuka Power Co., Ltd.</td>
<td>0.24 million kW</td>
<td>0.18 million kW</td>
</tr>
<tr>
<td></td>
<td>0.24 million×1unit</td>
<td></td>
</tr>
<tr>
<td>Start of operations 2006</td>
<td>Tokyo Gas interest 75%</td>
<td></td>
</tr>
<tr>
<td>Kawasaki Natural Gas Power Generation Co., Ltd.</td>
<td>0.84 million kW</td>
<td>0.40 million kW</td>
</tr>
<tr>
<td></td>
<td>0.42 million×2unit</td>
<td></td>
</tr>
<tr>
<td>Start of operations 2008</td>
<td>Tokyo Gas interest 49%</td>
<td></td>
</tr>
<tr>
<td>Ohgishima Power Co., Ltd.</td>
<td>1.221 million kW</td>
<td>0.90 million kW</td>
</tr>
<tr>
<td></td>
<td>0.407 million×3unit</td>
<td></td>
</tr>
<tr>
<td>Start of operations 2010</td>
<td>Tokyo Gas interest 75%</td>
<td></td>
</tr>
</tbody>
</table>

Development of renewable energy sources
By developing renewable energy technologies (such as photovoltaic and wind power generation) with a sense of urgency, and utilizing alliances with relevant companies, Tokyo Gas will seek to bolster its renewable energy source initiatives.
We will also engage in proactive investment and development projects with the aim of achieving a power generation capacity of 0.4 million kW from renewable energy sources by the early 2020s.

Renewable Energy Projects

<table>
<thead>
<tr>
<th>Date</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2017</td>
<td>Formed a business alliance with Shizen Energy Inc., with the objective of acquiring around 60 thousand kW of photovoltaic solar power generation sources</td>
</tr>
<tr>
<td>May 2018</td>
<td>Acquired a partial stake in SFK Power LLC., which has a total power generation capacity of 9.7 thousand kW</td>
</tr>
<tr>
<td>Jun. 2018</td>
<td>Signed an agreement with Photon Japan LLC., with the aim of jointly developing photovoltaic power stations with a power generation capacity of 30 thousand kW</td>
</tr>
</tbody>
</table>
Expanding our services towards our goal of securing 2.2 million electric power retail customers

**Tokyo Gas Electricity**

- Electric Power Retail Division

**Customer Satisfaction**

No.1

FY2017 JCSI Survey of Electric Power Retail Divisions
(JCSI: Japanese Customer Satisfaction Index)
Companies surveyed: five new electric power retail market entrants

**Always Plan**

Provide value for money, peace of mind, simplicity and convenience

<table>
<thead>
<tr>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>- General Tariff</td>
</tr>
<tr>
<td>- Always Gas</td>
</tr>
<tr>
<td>- Tariffs for the specific gas equipments (<em>Daran Plan</em>, etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Always Reliable Services</td>
</tr>
<tr>
<td>- Gas Fixture Troubleshooting Support</td>
</tr>
<tr>
<td>- Gas Fixure Special Support</td>
</tr>
<tr>
<td>- Electricity Fixure Troubleshooting Support</td>
</tr>
<tr>
<td>- Emergency Home Assist Service</td>
</tr>
<tr>
<td>- Residential Monitoring Services</td>
</tr>
<tr>
<td>- Always Home Support</td>
</tr>
<tr>
<td>- Plumbing trouble response</td>
</tr>
<tr>
<td>- Minor home improvements, repairs and renovations</td>
</tr>
<tr>
<td>- Home safety measures</td>
</tr>
<tr>
<td>- House cleaning and delivery cleaning</td>
</tr>
<tr>
<td>- &quot;my TOKYOGAS&quot; (the service for Web members)</td>
</tr>
</tbody>
</table>

**Tokyo Gas Triple Discount Plan for gas, electricity and internet**

The entire Tokyo Gas Group is currently working together as a team, engaging in various initiatives, with the goal of delivering Tokyo Gas Group electric power to 2.2 million customers by fiscal 2020. Specifically, we are securing new customers by proposing the key values—value for money, peace of mind, simplicity and convenience—offered by our electric power services, through a combination of TV commercials, direct mail promotions and other PR techniques, and individual home sales visits. We also negotiate and form business partnerships (alliances) with real estate management companies (which are responsible for the management of high rise condominiums and apartment buildings, etc.), as well as various business partners and companies in other business sectors with which the Group has formed relationships. Through these alliances, these companies introduce our electric power services to their customers, in some cases leading to us securing new electric power contracts with those customers. One thing that I feel keenly in my day-to-day duties as a sales representative is the power of the Tokyo Gas brand. We are trusted by customers as a company that has extensive experience and expertise in the field of energy, and I feel that this is a major advantage when it comes to selling electricity. Moving forward, I will continue striving to propose our services and solutions to customers in a sincere, detailed and easily-understandable manner, so as not to betray that trust.

**Community-based sales network**

The Tokyo Gas Group has established a community-based sales network with around 200 outlets in the Kanto region (including Tokyo Gas Lifeval, Enesta and Enefit), enabling us to tailor our services to the needs of individual customers. Through its 10,000 employees, Lifeval has built strong relationships of trust with over 11 million customers. As the “face” of Tokyo Gas Group, Lifeval employees interact directly with customers and engage in a wide array of services ranging from the sale and maintenance of gas appliances and opening/closing of gas fixtures when customers move house, to gas appliance safety checks and gas meter reading. In retail sales of electricity, too, through push-type marketing making effective use of such opportunities for direct contact with customers, we will continue to steadily accumulate more contracts to enhance our customer base.

**Alliances with various industry partners**

Tokyo Gas has formed business partnerships with a total of 48 companies (including wholesale customers such as gas business operators and LPG vendors) regarding the sale of low-voltage electric power. Through this network, we will continue to sell electricity to customers in the Greater Tokyo Area.

**Expand electricity sales to high-voltage and extra-high-voltage customers**

Through the establishment of Ennet in 2000, as a joint venture with NTT Facilities and Osaka Gas, we have worked to expand our electricity sales. In October 2015, we established Synergia Power Co., Ltd., as a joint venture with Tohoku Electric Power Co., Ltd. As of April 2016, Synergia began selling electricity to high-voltage and extra-high-voltage customers in the Kanto region, primarily in the Northern Kanto area.

**Expanding electricity sales to low-voltage customers**

Through its city gas business, the Tokyo Gas Group has built up an extensive network and customer base of 11 million customers. Together with our key values of value for money, peace of mind, simplicity and convenience, we supply optimal energy services to match the actual usage needs of customers, in combination with a range of lifestyle services.

**Expand electricity sales to high-voltage and extra-high-voltage customers**

Through the establishment of Ennet in 2000, as a joint venture with NTT Facilities and Osaka Gas, we have worked to expand our electricity sales. In October 2015, we established Synergia Power Co., Ltd., as a joint venture with Tohoku Electric Power Co., Ltd. As of April 2016, Synergia began selling electricity to high-voltage and extra-high-voltage customers in the Kanto region, primarily in the Northern Kanto area.
Outline

For almost half a century, since introducing LNG to Japan for the first time in 1969, Tokyo Gas has consistently handled processes across the entire LNG value chain, including both upstream and downstream processes, from procurement and transportation to manufacturing and supply, sales and energy solutions. Utilizing the technological capabilities and know-how developed through these processes, Tokyo Gas provides one-stop solutions to match the needs of customers both in Japan and overseas, including LNG terminals, pipelines, district heating and cooling, and energy services.

Providing individual solutions as a bundle

By bundling TGES’ various engineering solutions to cater to the specific needs of customers, we provide an optimal engineering service.

Bundling engineering and energy services

In this joint project together with YONDEN Shikoku Electric Power Co., Inc., Sumitomo Chemical Co., Ltd., Sumitomo Joint Electric Power Co., Ltd. and Shikoku-Gas Co., Ltd., we will construct a new LNG receiving terminal at the site of Sumitomo Chemical’s Ehime Works, and supply gas both to Ehime Works itself and to a new natural gas-fired thermal power station that is to be constructed by Sumitomo Joint Electric Power.

The LNG terminal, which will be the largest in the Shikoku region, is scheduled to commence operation in FY2021, with TGES participating in its design and construction, as well as LNG demand development.
Providing engineering solutions leveraging technological capabilities and know-how developed almost half a century

The Tokyo Gas Group has handled processes across the entire LNG value chain for almost half a century, including both upstream and downstream processes.

We offer the knowledge and expertise that we have accumulated through actually using the LNG terminals, pipelines, district heating and cooling centers and various other facilities and equipment that we have designed and built during that time as engineering solutions based on user’s know-how, to clients both in Japan and overseas.

### Engineering business

Based on accumulated user’s know-how, the Tokyo Gas Group provides total, optimal engineering solutions, including those for after facilities commence operation. Since the 1980s, the Group has built up a track record of achievements both in Japan and overseas, and is involved in numerous projects in regions such as Asia, where growth in demand is becoming increasingly evident.

**Case 1** Thailand: LNG receiving terminal construction PMC (January 2018)

In 2014, TGES was awarded an order for assignment as a project management contractor (PMC) for the capacity expansion construction project at PPT LNG Map Ta Phut LNG Receiving Terminals, Thailand. TGES was subsequently awarded another PMC contract by PTT LNG to manage its Nong Fab LNG Receiving Terminal construction project, and is currently engaged in associated project management duties.

These projects involve the construction of new terminal facilities as part of a plan to increase LNG receiving capacity, in order to cater to the growth in energy demand in Thailand due to the nation’s economic development.

**Case 2** Bangladesh: LNG terminal feasibility study, etc. (July 2017)

TGES was awarded a joint feasibility studies and engineering contract (together with Nippon Koei Co., Ltd.) by Petrobangla (Bangladesh Oil, Gas and Mineral Corporation) regarding the feasibility of land-based LNG receiving terminals. The project represents the first order to be received by the Tokyo Gas Group in Bangladesh. Although Bangladesh does produce natural gas itself, it currently faces a situation in which voracious demand is exceeding the country’s existing supply capabilities, and the project aims to tackle this situation.

**Energy service business**

Through its energy service business, TGES supplies heat, electricity, water and air by building systems—which focus primarily around gas cogeneration, but also incorporate renewable and unhanessed energy sources—to meet customer needs that include energy-saving, CO₂-reducing, cost and labor saving, and BCP (Business Continuity Planning) solutions.

We also continue to evolve and adapt by engaging in new initiatives such as smart energy networks and regional lending.

**Case 1** Utility services at Osaki Citizen Hospital (Osaki, Miyagi Prefecture)

TGES has constructed a multiplex energy system at Osaki Citizen Hospital that combines a city gas fueled cogeneration system and boilers with heavy fuel oil and pellet boilers.

In addition to enhancing the client’s energy-saving and BCP characteristics, the system has also created an environment in which the client can concentrate on hospital administration, by taking over the role of energy-related equipment management, which was a significant burden to the client in the past.

The installation of this system is also contributing to an increase in gas sales volume for Furukawa Gas Co., Ltd., which supplies city gas to the client, making it a huge win for the client, gas operator and service provider.

**Case 2** Energy services for Toray Group (Malaysia and United States)

TGES has been commissioned to deliver energy services to overseas plants owned by the Toray Group (a Japanese corporate group). The services include the construction of energy plants with gas cogeneration systems, boilers, and other equipment (such as for air-conditioning and water treatment), and the efficient all-inclusive supply of electricity, steam, water and other resources generated using those plants.

Through efficient plant design and maintenance based on our extensive past construction and operational record, we will seek to achieve energy-saving benefits and long-term cost reductions through the delivery of optimal energy systems.

In the Niihama LNG Project, companies from industries with different backgrounds and different values are coming together to build and operate a single LNG terminal. We consider this to be an ideal project format for creating new energy infrastructure, where companies concentrate their various individual strengths and expertise to contribute to the advancement of the local economy and reducing environmental impacts, in addition to furthering their own mutual interests.

In FY2016, I was responsible for sales to the Sumitomo Chemical Group, and since FY2017 I have handled discussions with each partner company regarding the conversion to joint business operations. Because the negotiations involved multiple companies with different backgrounds and values, there were some difficult situations, but each of the companies brought their own strengths to the table, and with our passionate enthusiasm we were able to overcome numerous hurdles and eventually achieve the establishment of the joint venture company in April 2018.

Currently, all project members are running around Niihama City, working hard to get the blood of this newly born company pumping as it should.

Moving forward, too, I will continue to make my very best efforts, together with the assembled members from other firms who have come together for this project, as we work towards beginning the construction this October, commencing operation in FY2021, and achieving the subsequent advancement of the entire local area and the reduction of our environmental impact.
Urban Development Service (Real Estate)

Outline
Over the course of 130 years in business, the Tokyo Gas Group has acquired large-scale and medium-scale properties (areas of land) with high utilization value, in high-profile areas such as Shinjuku, Ginza, Tamachi and Toyosu. Utilizing sites which it owns but which are no longer required for business purposes, and with a primary focus on city center areas, the Group operates an office and residential real estate leasing business, working around the basic concept of securing stable revenues and improving asset value.

<table>
<thead>
<tr>
<th>Net sales</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥42.3 billion</td>
<td>¥7.9 billion</td>
</tr>
</tbody>
</table>

Office leasing business
msb Tamachi (musubu Tamachi)
At our property which connects directly to the East Exit of Tamachi Station on the JR Yamanote Line, we are engaged in the development of a smart energy network and enhanced Business Continuity Planning (BCP) functionality (such as by installing dual-fuel emergency generators that can run on both heavy fuel oil and city gas). Through this project, we aim to contribute to the local community by creating an advanced and appealing urban development and real estate leasing business. Phase I of the development (Tamachi Station Tower S and Pullman Tokyo Tamachi) was completed in May 2018, and we are currently working with the aim of completing construction of Phase II (Tamachi Station Tower N) in FY2020.

Residential leasing business
We are also engaged in proactive leasing business operations on small to medium-sized properties (as of March 2018, 9 buildings w/ 204 residential units). As we head towards the 2020s, we will aim to achieve further business growth and expansion, as we acquire more real estate properties in order to create good quality assets that are well-suited to leasing. In May 2018, we commenced construction of a rental housing complex (provisionally named Toyotama Rental Housing Complex) in Nerima-ku, Tokyo.

Sustainable Development Goals
Initiatives Towards Achieving the Sustainable Development Goals (SDGs)
Urban Development in Tamachi Station East Exit area (North Zone)
In the Tamachi Station district, Tokyo Gas is engaged in an attractive urban development project, in which offices, public facilities, hotels, hospitals and other buildings coexist with the surrounding environment. Through the implementation of a smart energy network that utilizes gas cogeneration systems, renewable energy and other smart energy features, we are helping to improve the area’s energy-saving, environmental and disaster-readiness characteristics.
With GPS×G, Tokyo Gas is delivering not only gas, but gas and electricity as a set package to all customers. In addition to proposing optimal gas and electricity plans, we will combine them with other services that meet customers’ lifestyle and business needs, and use various means to deliver them to a greater number of customers.

**Energy Solutions Business**

Through the promotion and expansion of widespread natural gas usage by extending its pipeline network and increasing lorry-based supply, and by providing a competitive supply of electric power to large-scale customers in cooperation with partners such as ENNET and Synergia Power, Tokyo Gas is providing energy solutions that achieve benefits such as energy conservation, CO₂ reductions and cost reductions for customers.

**Case Study**

Saku Central Hospital
(Nagano Prefecture)

At Saku Central Hospital in Nagano, we are achieving energy conservation and cost reductions through regional energy use between multiple buildings. We are also utilizing renewable energy, through the installation of a woodchip-fueled biomass boiler. From a BCP perspective of ensuring operational continuity, we introduced a cogeneration system that restarts operation automatically in the event of a power outage, and adopted medium-pressure gas supply pipes offering a high level of resistance to seismic activity.

**Commercial and Industrial Customers**

**Smart Menu Development**

With a view toward the low-carbon society of the future, we are also working to develop a “smart menu” of services, which will introduce and utilize features such as demand response, renewable energy and storage cells (accumulators).

**Supplementary Information**

What is Demand Response Service?

Demand response is a mechanism whereby electricity users adjust their volume of demand in order to match the balance of supply and demand of electric power. The Tokyo Gas Group provides this demand response service as a response to open calls from general transmission and distribution operators for load adjustment capabilities.

**Services**

Optimal proposals, implementation and maintenance for energy facility and equipment

Smart management utilizing smart meters, IoT and AI

Lifestyle and business support

New value-added proposals to address low-carbon, digitalization and new technologies

**Residential Customers**

**Always Plan (total energy service plan)**

The Always Plan is a total energy service plan that combines a gas and electricity packaged discount with various services, which customers can choose freely. Through the plan, Tokyo Gas aims for customers to enjoy value for money, peace of mind, simplicity and convenience.

**Tokyo Gas’s Always Plan**

<table>
<thead>
<tr>
<th>Gas</th>
<th>Electric Power</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always Gas</td>
<td>+Points linked to gas rates</td>
<td></td>
</tr>
<tr>
<td>Tariffs for the specific gas equipments (&quot;Danran Plan&quot;, etc.)</td>
<td>+Points linked to electricity rates</td>
<td></td>
</tr>
<tr>
<td>+Gas and electricity package discount</td>
<td>+Always Reliable Services</td>
<td></td>
</tr>
<tr>
<td>+Simple, convenient web services</td>
<td>+Fiber-optic communications services</td>
<td></td>
</tr>
</tbody>
</table>

Provide optimal energy supplies that are aligned with customers’ actual energy use

Combine services to support daily life and deliver value for money, peace of mind, simplicity and convenience

**When you have any troubles in your life, think of Tokyo Gas**

Tokyo Gas has prepared an extensive menu of lifestyle services to cater to the life stages and requests of individual customers, and has developed a platform that will offer one-stop services in combination with gas and electricity.

**Customer**

Can I make my monthly utility bill lower?

I want to talk to someone about a plumbing problem.

As working couple we are busy and want to shorten the amount of time we spend on housework.

Customers can call us right away at our customer call center with any questions about rates or appliances.

A nearby Lifeval or Enesta representative will visit you at your home.

Using our website or myTOKYOGAS, customers can complete any necessary procedures or make use of our services at their convenience.

**Energy**

Gas fixtures and appliances

Housing fixtures and appliances

Electrical fixtures and appliances

Remodeling

**Facilities / equipment**

Condition of customer equipment/appliances

Past visit history

Data for devices using IoT

**Supplementary Information**

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OUTERAS BUSINESS

Outline

We have expanded and increased overseas bases and staff, and have participated in LNG or natural gas related business projects in Australia, North America, and Southeast Asia, all in order to make overseas business another major source of growth for the Tokyo Gas Group, as indicated in the Challenge 2020 Vision. Looking ahead, in addition to conducting discussions with a view to further business development, we will also work to ensure efficient distribution of management resources as we advance our overseas business operations.

Strengths

- Know-how in the midstream and downstream businesses accumulated in Japan
- Global network established through activities such as material procurement and business participation

Risks

- Business operations may be stalled, or the burden of expenses may increase, as a result of country-specific laws, regulations and/or business practices
- Fluctuations in crude oil/gas prices and foreign exchange rates may impact the revenues and expenditures of all overseas business operations

I came to work at Tokyo Gas America—which has its primary business location in Houston, Texas—in 2015. Until recently I had been responsible for new investment projects in the shale gas business, but as of 2017 I have been working on secondment at Castleton Resources LLC, (“CR”), a shale gas business company in which Tokyo Gas recently acquired shares, and have gained six months of field experience in shale gas development.

Shale gas development demands high-difficulty technological capabilities, in achieving the efficient excavation of 5,000-meter-long gas wells. This is an area in which Tokyo Gas had only limited expertise, and we are working amongst professionals with decades of experience in the business. Despite this, I worked diligently and to the very best of my abilities, and was able to identify the cause of digging difficulties occurring deep underground—where we cannot physically see—by making effective use of data. As a result, I was able to contribute to increasing our digging efficiency, which was a source of great joy and satisfaction.

I am currently working at CR headquarters, making assessments of the size of underground reserves and analyzing development costs. I am also learning about American corporate culture, organizational structure, and cost-cutting initiatives.

In the future, I will continue contributing to the further advancement of our US business operations and our overseas business operations overall, based on the experience gained during my secondment.

Building an LNG value chain

I came to work at Tokyo Gas America—which has its primary business location in Houston, Texas—in 2015. Until recently I had been responsible for new investment projects in the shale gas business, but as of 2017 I have been working on secondment at Castleton Resources LLC, (“CR”), a shale gas business company in which Tokyo Gas recently acquired shares, and have gained six months of field experience in shale gas development.

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Projects and business locations

- Upstream Business
- Midstream- and Downstream Business
- Business Location

Net sales and number of projects

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (¥ billion)</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013.3</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>2014.3</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>2015.3</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>2016.3</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2017.3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2018.3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2019.3 (Planned)</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Oil price and foreign exchange rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude Oil Price (¥/bbl)</th>
<th>Foreign Exchange Rate (¥/$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011.3</td>
<td>120</td>
<td>150</td>
</tr>
<tr>
<td>2013.3</td>
<td>90</td>
<td>120</td>
</tr>
<tr>
<td>2015.3</td>
<td>60</td>
<td>90</td>
</tr>
<tr>
<td>2017.3</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td>2019.3 (Planned)</td>
<td>0</td>
<td>30</td>
</tr>
</tbody>
</table>

Net sales and segment profits

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (¥ billion)</th>
<th>Segment profits (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>41.5</td>
<td>7.7</td>
</tr>
</tbody>
</table>
Aiming to develop and advance our overseas business operations as a global total energy business operator

We plan to expand the breadth and depth of our overseas business operations, in accordance with the characteristics of each region we operate in, by leveraging the global LNG value chain experience that we have developed both domestically and overseas. We will also strengthen our position in the LNG market, as the company that people associate most with LNG (i.e. “Think LNG, think Tokyo Gas.”)

Additionally, we will continue to invest in projects that contribute to the construction of energy infrastructure, with a primary focus on midstream to downstream businesses, for which we can expect to see low-volatility and stable returns. We will aim to build a portfolio that is less influenced by fluctuations in energy prices, and continue working to increase the added value of our existing projects.

We are also setting our sights on expansion into new fields of business which are expected to see a growth in demand in the future, including floating storage and regasification unit (FSRU) and renewable energy; and entry into new overseas regions where we can expect to see market growth, and where we can leverage our strengths.

The Tokyo Gas Group’s overseas operations currently span 13 business locations in nine countries. Over the past year, our participation in five new projects has been decided. These include projects in North America, which offers extensive opportunities for market entry, and in Southeast Asia, where there is growing use of natural gas.

### Upstream Business
- Operation and management of existing projects
- Exploration of new projects

### Midstream and Downstream Business
- Gas-fired thermal power generation
- Exploration of new projects

### LNG Terminal Business
- LNG terminal business
- Gas supply
- Energy service
- Exploration of new projects

### Business Location
- **North America**
  - U.S.A. Natural gas-fired thermal power plant business (Empire Power Plant)
  - U.S.A. Natural gas-fired thermal power plant business (Bajio Power Plant)
- **South America**
  - Argentina: Gas-fired thermal power generation
- **Europe**
  - France: Energy service
  - Others: Gas supply

### Project Name
- **U.S.A. Barnett shale gas development**
  - Start of Participation: Mar. 2013
  - Investment ratio: 25%
- **U.S.A. Eagle Ford shale gas development**
  - Investment ratio: 25%
- **U.S.A. East Texas gas development business**
  - Start of Participation: May 2017
  - Investment ratio: 30%

### Monitoring commodity price trends and carefully estimating the productivity and reserves of gas fields

When planning gas-fired power generation, we will continue to use well-defined criteria to select projects in which to participate, giving due consideration to demand and supply of electricity, competition with other power sources, regulations and business environments on a state-by-state basis. We have recently participated in two gas power generation businesses in the East Coast region, where there is large-scale demand.

### Project Name
- **Mexico**: Natural gas-fired thermal power plant business (Empire Power Plant)
  - Investment ratio: 25%
- **U.S.A.**: Natural gas-fired thermal power plant business (Birdsboro Power Plant)
  - Start of Participation: Apr. 2017
  - Investment ratio: 33.33%

In North America, there is a substantial demand for energy. Deregulation and market trading of energy are advancing, and we can expect to see long-term growth in the natural gas market. In this market, we will continue to participate in upstream, midstream and downstream businesses. In the future, we will aim to increase synergies between individual business operations, and to acquire and use knowhow that will contribute to our other businesses both in Japan and abroad, while at the same time establishing a stable revenue base.

- **Birdsboro Power Plant (under construction)**
Amid rapid economic growth, Southeast Asia is expected to see a rise in demand for natural gas and an increase in imports of LNG. Tokyo Gas aims to work with the respective governments of and companies in these countries in order to contribute to the building of energy infrastructure, and the introduction of natural gas in these regions. Specifically, we will be engaging in midstream and downstream business operations including LNG terminal, gas-fired thermal power generation, gas supply and energy service businesses. In addition to opening offices in Indonesia, Thailand, and Vietnam in 2015, we established a representative office in the Philippines in April 2017. Our ultimate goal for the future is to form an LNG value chain in Southeast Asia.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Start of Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>Oct. 2017</td>
</tr>
<tr>
<td>Submitted declaration of interest regarding formation of an LNG value chain</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>Jul. 2017</td>
</tr>
<tr>
<td>Invested/acquired a stake in a gas supply business company and formed a strategic alliance</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Jan. 2018</td>
</tr>
<tr>
<td>Secured an order to provide PMC services in the construction of the Nong Fab LNG receiving terminal</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Jan. 2018</td>
</tr>
<tr>
<td>Invested/acquired a stake in a gas supply business company</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Oct. 2017</td>
</tr>
<tr>
<td>Invested/acquired a joint stake in a gas supply business company</td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Jul. 2017</td>
</tr>
<tr>
<td>Secured an order for work relating to LNG receiving terminals</td>
<td></td>
</tr>
</tbody>
</table>

The Thai government is currently advancing the deregulation and promotion of third-party entry to the natural gas market, and private-sector companies—including overseas-based corporations—are expected to enter the market. In view of this, one of my roles is to gather energy-related information by holding meetings and conducting interviews with government agencies and other private-sector companies on matters such as government policy, regulatory trends, and the state of other companies’ activities; and to report that information to our Tokyo head office, and to Tokyo Gas Asia Pte. Ltd. in Singapore (which is responsible for the management of the Asia region).

In January 2018, we participated in the gas supply business, which was a first for a private-sector company in Thailand. We have received many inquiries from outside parties, indicating a high level of interest in the gas retail business. In 2011, Thailand became the first country in Southeast Asia to introduce LNG. Due to the depletion of domestically-produced gas reserves, LNG imports are expected to continue growing further in the future. We are receiving numerous inquiries for details and requests to visit our LNG terminals, primarily from government personnel.

I myself have many years of experience in the field of power generation, but this was actually my first post in the world of LNG. Through opportunities such as this, I want to learn more about a wide-range of topics concerning the LNG value chain, and to continue to act as a bridge between Thailand and Japan in the future.
Investing our energies into the operation and management of existing projects

Australia

Participating projects and business locations

- Participating project
- Business Location

- Darwin
- Ichthys

- Pluto
- Gorgon

- Queensland Curtis

- Tokyo Gas Australia Pty Ltd.
  - Brisbane Office
  - Perth Office

We have invested in five projects in Australia, which has grown as a major LNG supply base to the East Asia. Four of these LNG projects are already in operation today. We will continue to focus on the operation and management of these projects, as well as the Ichthys Project (which is scheduled to commence operation in the near future), with a view to maximizing their value as Group assets.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>LNG Production Capacity (Million tons / year)</th>
<th>Start of Participation</th>
<th>Tokyo Gas Interest</th>
<th>Start of Production (Operation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darwin</td>
<td>3.0</td>
<td>2003</td>
<td>3.07%</td>
<td>Jan. 2006</td>
</tr>
<tr>
<td>Pluto</td>
<td>4.7</td>
<td>2008</td>
<td>5.00%</td>
<td>Apr. 2012</td>
</tr>
<tr>
<td>Gorgon</td>
<td>15.6</td>
<td>2009</td>
<td>1.00%</td>
<td>Mar. 2016</td>
</tr>
<tr>
<td>Queensland Curtis</td>
<td>8.5</td>
<td>2011</td>
<td>1.25% (Gas Field) / 2.50% (No. 2 Liquefaction Plant)</td>
<td>Dec. 2014</td>
</tr>
<tr>
<td>Ichthys</td>
<td>8.9</td>
<td>2012</td>
<td>1.575%</td>
<td>2018 (Planned)</td>
</tr>
</tbody>
</table>

Sustainable Development Goals

Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Taking up the challenge of creating an LNG value chain in Southeast Asia

- In 2017, we invested and acquired stakes in gas supply businesses in Vietnam (July) and Indonesia (October). In January 2018, we acquired a stake in a similar business in Thailand. In October 2017, we also submitted a declaration to the government of the Philippines regarding our interest in constructing an LNG value chain.

- By leveraging our Group’s technological capabilities and know-how to provide energy solutions and construct infrastructure, we are seeking to promote the widespread adoption of clean, environmentally-friendly natural gas. We also hope that contributing to the creation of jobs and economic development through our local business operations will lead to an increase in educational opportunities and help to eliminate disparities in wealth and living standards in those countries.
Tokyo Gas works to ensure continued development while consistently earning the trust of customers, shareholders, and society. Based on this philosophy, we aim to achieve a continuous increase in our corporate value through enhancing corporate governance systems. We are endeavoring to develop systems with a commitment to management legality, soundness, and transparency. Tokyo Gas continues to emphasize the importance of accurate and prompt decision making, efficient business operations, strengthening of auditing and monitoring functions, and clarification of management and executive responsibilities.

**Board of Directors**

In principle, the Board of Directors meets once a month to discuss and decide important matters regarding business operations. Directors must submit reports to the Board of Directors regarding the status of execution of their duties periodically and when deemed necessary, allowing the Board to monitor the performance of directors. The Board of Directors comprises 8 directors, 3 of whom are outside directors. In addition, the term of directors is set at one year with the goal of further clarifying managerial responsibility.

**Outside Directors**

In accordance with their individual experience and knowledge, the outside directors strive to secure the soundness and appropriateness of deliberations and decisions regarding business execution. From an independent viewpoint, the outside directors monitor the performance of duties by the directors and exercise their authority at meetings of the Board of Directors. In this way, the outside directors contribute to the improvement of the rationality and objectivity of the company’s business execution and of the deliberations and decisions of the Board of Directors.

In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. (The company discloses the Independence Standards for Outside Directors on its website: www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf) The Advisory Committee has confirmed that none of the outside officers has a material conflict of interest with the company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The committee’s decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the company is listed.

**Corporate Governance System**
## Progress in Governance Composition of the Board of Directors

### 2002 vs 2018 Composition of Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Directors</th>
<th>Audit &amp; Supervisory Board members</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>9</td>
<td>3/6</td>
</tr>
<tr>
<td>2018</td>
<td>5</td>
<td>5/5</td>
</tr>
</tbody>
</table>

### Composition of Directors

- **Directors**
  - Inside Directors: 5
  - Outside Directors: 3

- **Audit & Supervisory Board members**
  - Inside Directors: 2
  - Outside Directors: 2

### FY2017 Analysis and Evaluation of Effectiveness of the Board of Directors

- To maintain and enhance effectiveness of the Board of Directors, the Board analyzed and evaluated its effectiveness by having each of its directors complete a questionnaire-based self-evaluation. The Board then held discussions and exchanged opinions based on the outcome of those self-evaluations.

- The results of the questionnaire and subsequent discussions were as follows. It was found that the Board’s decision-making and supervisory functions are being sufficiently guaranteed. In particular, it was recognized by all that the Board’s effectiveness had improved significantly as a result of improvements made in terms of operational aspects, owing to the April 2017 revision of the Board of Directors Regulations. At the same time, it was also agreed that ceaseless efforts are required in order to further increase the Board’s effectiveness in the future, such as by seeking to improve and enhance discussions by reviewing the times at which Board meetings are held, and to enhance the Board’s relationship with executive officers (for example, by expanding the list of attendees at Board meetings to include executive officers, and increasing supervisory patrols by directors to inspect the state of execution of duties.)

### Overview of Corporate Governance System (As of June 28, 2018)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of directors</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Participation of outside directors and outside audit &amp; supervisory board members in selecting director candidates</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Average age of directors</td>
<td>62.5</td>
<td></td>
</tr>
<tr>
<td>Number of meetings of Board of Directors*</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Number of outside directors</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Attendance rate of outside directors at meetings of Board of Directors*</td>
<td>97.4%</td>
<td></td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Term of office of directors</td>
<td>One year</td>
<td></td>
</tr>
<tr>
<td>Number of outside Audit &amp; Supervisory Board members</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Performance-linked remuneration</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Number of independent officers</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Share purchase system to reflect the perspective of shareholders in management</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Participation of outside directors / outside Audit &amp; Supervisory Board members in determination of remuneration</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

* Total for the period from April 2017 to March 2018

### Working to Promote Transparent Management and Create a Flexible and Open Corporate Culture

We have established in-house committees—such as the Management Ethics Committee, chaired by the President and CEO—to address issues that are important from a management perspective, such as compliance, safety, customer satisfaction, and risk management. This structure facilitates the sharing of information within the group, as well as deliberations and adjustments regarding the group’s overall direction.
Audit & Supervisory Board Members

The Audit & Supervisory Board members meet once a month as a general rule and otherwise as needed. The 5 members of the board, which include 3 outside Audit & Supervisory Board members, conduct deliberations and make reports. In line with the Corporate Auditor’s Audit Standards, each Audit & Supervisory Board member conducts effective audits through the following principal initiatives.

| The Audit & Supervisory Board members attend meetings of the Board of Directors, the Corporate Executive Committee, and other important meetings. They state their opinions relating to legality and other perspectives when necessary. |

| The Audit & Supervisory Board members conduct research into the state of operations at the head office, business offices, and subsidiaries and hold discussions with representative directors to exchange opinions, both on a regular basis and otherwise as needed. |

| In regard to the internal control system for financial reporting, the Audit & Supervisory Board members receive evaluations of internal control and reports on the status of audits from the Board of Directors, etc., and KPMG AZSA LLC. |

Outside Audit & Supervisory Board Members

The outside Audit & Supervisory Board members conduct audits monitoring from an independent viewpoint and contribute to improving the rationality and objectivity of the company’s business execution and of the deliberations of the Board of Directors through their statements at meetings of the Board of Directors. In addition, through their statements and the exercise of their majority voting rights at meetings of the Audit & Supervisory Board, the outside Audit & Supervisory Board members contribute to assuring and improving the legality, appropriateness, rationality, and objectivity of the audits by the Audit & Supervisory Board members. In addition, with the objective of assuring the effectiveness of audits by the Audit & Supervisory Board members, the company invites outside Audit & Supervisory Board members who have a substantial degree of knowledge about finance and accounting. In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. The Advisory Committee has confirmed that none of the outside officers has a material interest with the company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The committee’s decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the company is listed.

Officer Remuneration

In 2005, the company formulated the basic policy on officer remuneration, which outlines the method of remuneration for directors, etc. At a meeting of the Board of Directors in February 2012, the policy was revised as follows.

1 Role of Officers and Remuneration

The role demanded of officers is to seek to enhance short-, medium-, and long-term corporate value, and officer remuneration shall serve as an effective incentive for them to perform that role.

2 Level of Remuneration

The level of officer remuneration shall be suitable for the role, responsibility, and performance of the officer.

3 Composition and Other Details of Remuneration Paid to Directors

(1) Remuneration of directors shall be paid within the scope of the remuneration limit approved at the General Shareholders’ Meeting.

(2) Remuneration of inside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise fixed remuneration paid in accordance with the post of each individual and performance-linked remuneration. A portion of fixed remuneration shall be allocated to the purchase of shares based on a share-purchase guideline and from the standpoints of reflecting the perspectives of shareholders on management and improving shareholder value over the long term. The amount of performance-linked remuneration shall be determined after evaluating companywide performance and performance of operating units from the standpoints of motivating inside directors to execute management strategies and reflecting their performance clearly in their remuneration. The amount of bonus to be paid shall be determined in accordance with the post of each inside director after performance evaluation.

(3) Remuneration of outside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise only fixed remuneration, while bonus shall be the same as that of inside directors.

4 Composition and Other Details of Remuneration Paid to Audit & Supervisory Board Members

(1) Remuneration of Audit & Supervisory Board members shall be paid within the scope of the remuneration limit approved at the General Shareholders’ Meeting and determined through discussions among Audit & Supervisory Board members.

(2) Remuneration of Audit & Supervisory Board members shall comprise only fixed monthly remuneration.
5 Assurance of Objectivity and Transparency of the Remuneration System

The company shall assure the objectivity and transparency of the system of officer remuneration by establishing and operating the Advisory Committee comprising a number of outside directors, outside Audit & Supervisory Board members, and inside directors to govern the system of personnel affairs and remuneration of officers.

### Remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2017)

<table>
<thead>
<tr>
<th>Remuneration for directors (excluding outside directors)</th>
<th>Number of officers*</th>
<th>Total value of remuneration</th>
<th>Base</th>
<th>Bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>¥464 million</td>
<td>¥386 million</td>
<td>¥78 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration for Audit &amp; Supervisory Board members (excluding outside Audit &amp; Supervisory Board members)</th>
<th>Number of officers</th>
<th>Total value of remuneration</th>
<th>Base</th>
<th>Bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>¥74 million</td>
<td>¥74 million</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remuneration for outside officers (outside directors and outside Audit &amp; Supervisory Board members)</th>
<th>Number of officers</th>
<th>Total value of remuneration</th>
<th>Base</th>
<th>Bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
<td>¥66 million</td>
<td>¥58 million</td>
<td>¥8 million</td>
</tr>
</tbody>
</table>

*The number of officers included in the total value of remuneration for directors, Audit & Supervisory Board members, and outside officers includes two directors and two Audit & Supervisory Board members (of whom one was an outside auditor) who retired upon the conclusion of the 217th Annual Shareholders’ Meeting.*
Advisory Committee

In February 2005, we established the Advisory Committee to assure objectiveness and transparency in management. The committee has up to five members, consisting of the Chairman, the President and CEO, and up to three directors selected by the Board of Directors; with over half of its membership consisting of outside directors, and the committee chairman also being an outside director.

Advisory Committee Membership (as of June 28, 2018)

- Committee chairman: Akihiko Ide (Outside Director)
- Committee members:
  - Yoshinori Katori (Outside Director)
  - Yoshihiko Morita (Outside Audit & Supervisory Board Member)
  - Michiaki Hirose (Director, Chairman)
  - Takashi Uchida (Representative Director, President and CEO)

In accordance with inquiries from the Board of Directors, the Advisory Committee deliberates on officer candidates and officer remuneration in a fair and appropriate manner and makes reports to the Board of Directors. The committee also deliberates on the independence of outside officer candidates.

Internal Control System

To secure management soundness and transparency, and to realize its management philosophy, the company has formulated the “Basic Policy on Development of Corporate Structures and Systems for Internal Control System,” and is applying this policy in an appropriate manner. Specifically, the company has established systems to ensure that directors and their assistants perform their duties in a manner that is compliant to relevant laws and regulations, the articles of incorporation, and other rules. In addition, crisis management provisions have been formulated to limit losses from risks related to investments and natural disasters. The company also defines guidelines for ensuring the independence of Audit & Supervisory Board members and guaranteeing the effectiveness of the Audit & Supervisory Board.

Independent Auditors

The company has concluded an auditing contract with KPMG AZSA LLC for auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act, as well as internal control audits based on the Financial Instruments and Exchange Act, and the company is being audited on that basis. The company’s audits are handled by 3 certified public accountants: Yoshihide Takehisa, Toshiyuki Tamura and Yoshihiro Uehara. For each of these auditors, the number of consecutive years of auditing service is seven years or less (as of June 28, 2018).

Compensation for Independent Auditors (Fiscal 2017)

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Compensation (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing services</td>
<td>262</td>
</tr>
<tr>
<td>Non-auditing services</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>276</strong></td>
</tr>
</tbody>
</table>

Compliance

Compliance Structure

The company has identified the following three points as its basic policy and is promoting compliance on that basis.

- Fostering of a compliance oriented mentality
- Compliance efforts through coordination among divisions based on the fundamental policy
- Promotion of the compliance PDCA cycle

We have established the Management Ethics Committee, chaired by the President and CEO. This committee discusses at the executive level basic compliance policies and all aspects of compliance initiatives by the company, monitors the implementation of compliance-related measures, and confirms activity programs from the following year and thereafter. The Compliance Department operates counseling service counters, distributes information within and beyond the Tokyo Gas Group companies, and promotes a thorough awareness of ongoing activities related to our Code of Conduct, which represents a compliance standard of the Tokyo Gas Group and was revised in April 2017, so as to further meet the expectations of society. The Compliance Department also supports a wide range of compliance-related activities for each department. These include development of compliance promotion systems, encouragement awareness and educational campaigns about the Code of Conduct, and compliance risk reduction measures.

Compliance Risk Management

Through the effective operation of internal and external advisory systems, we are endeavoring to ensure that compliance-related problems are discovered and resolved quickly so that our corporate self-regulatory processes will continue to function effectively. We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are reflected in initiatives for the following years. The Compliance Audit Sect. of the Internal Audit Dept. conducts audits of the company and its subsidiaries focusing on the probability that risks will materialize and their degree of importance from the viewpoint of strict compliance with laws, corporate ethics, and social norms. When concerns are identified, the group conducts follow-up audits in the following year to verify progress in tackling those concerns.
Enterprise Risk Management System
The company has established an enterprise risk management (ERM) system, and drawn up risk management regulations that include documented rules concerning major risks faced by the group. The Risk Management Committee was established with the aim of improving the management level of the ERM system. The Committee checks progress regarding the establishment and operational status of the ERM system, including periodic risk assessments. It also reports to the Corporate Executive Committee and obtains the necessary approvals.

Under the framework, around 150 Risk Management Promotion Officers are deployed in the business departments of Tokyo Gas and its subsidiaries in order to promote ERM. Each year, we assess risks and the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.

Crisis Management System
Because the company provides public services that comprise a lifeline, for many years it has also had a crisis management system that serves as a response system in case an accident or other risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of major crises, including major natural disasters, such as earthquakes, or production or supply disruptions arising from major accidents at pipelines or LNG terminals, as well as new strains of influenza, terrorism, failures in mission-critical IT systems, and compliance problems, the Emergency Response Organization is established to respond to the situation immediately in accordance with the Emergency Response Organization Regulations. Periodic training is conducted in relation to major risk response measures.

Moreover, the company has also formulated a business continuity plan (BCP) outlining its responses in the event of a major earthquake of the magnitude assumed by Japan’s Cabinet Office, a major accident disrupting gas supply, a widespread blackout, an outbreak of a new strain of influenza, etc. This plan is in place to reinforce the company’s risk management system.
Corporate Governance

Board of Directors (As of June 28, 2018)

Michiaki Hirose

- Director, Chairman

April 1974 Joined the Company
April 2004 Executive Officer and Assistant to Chief Executive of Corporate Communication Div.
April 2006 Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.
April 2007 Senior Executive Officer and in charge of Corporate Planning Dept., Infrastructure Project Dept., Finance Dept., Accounting Dept. and Affiliated Companies Dept.
April 2008 Senior Executive Officer and in charge of Corporate Planning Dept., Investor Relations Dept., Finance Dept., Accounting Dept., Affiliated Companies Dept. and Gas Industry Privatization Research Project Dept.
April 2009 Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
June 2009 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Corporate Communications Dept. and Affiliated Companies Dept.
January 2010 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Project Management Dept., Corporate Communications Dept. and Affiliated Companies Dept.
April 2012 Representative Director, Executive Vice President and Chief Executive of Living Energy Div.
April 2013 Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.
April 2014 Representative Director, President
April 2018 Director and Chairman of the Board

Reason for appointment

Over the course of his career, Michiaki Hirose has engaged mainly in planning and living-related work duties. For four years, from April 2014 until March 2018, he served as President. Since April 2018, as Director and Chairman, he has served as chairman of the Board of Directors. He is highly knowledgeable, and has extensive work experience with the company.

Takashi Uchida

- Representative Director, President and CEO

April 1979 Joined the Company
April 2006 General Manager of Pipeline Planning Dept. of Pipeline Network Div.
April 2009 General Manager of Corporate Planning Dept.
April 2010 Executive Officer and General Manager of Corporate Planning Dept.
April 2012 Senior Executive Officer and in charge of Personnel Dept., Secretary Dept., Compliance Dept. and Internal Audit Dept.
April 2013 Senior Executive Officer and Chief Executive of Energy Resources business Div.
June 2015 Director, Senior Executive Officer and Chief Executive of Energy Resources Div.
April 2016 Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.
April 2017 Representative Director, Executive Vice President and Chief Executive of Residential Service Div.
April 2018 Representative Director, President and CEO

Reason for appointment

In his career, Takashi Uchida has engaged mainly in pipeline, resources and overseas business-related work duties. Since April 2018, he has served as President and CEO, with ultimate responsibility for the execution of duties within the company. He is highly knowledgeable, and has extensive work experience with the company.

Kunio Nohata

- Director

April 1984 Joined the Company
November 2006 General Manager of Infrastructure Project Dept.
April 2011 General Manager of Gas Resources Dept. of Energy Resources Business Div.
April 2013 Executive Officer and General Manager of Gas Resources Dept. of Energy Resources Business Div.
April 2015 Senior Executive Officer, President, Representative Director of Tokyo Gas Engineering Solutions Corporation.
April 2017 Senior Executive Officer of the Company, Chief Executive of Power Business Div., In charge of Environmental Affairs Dept.
June 2017 Director, Senior Executive Officer of the Company, Chief Executive of Power Business Div., In charge of Environmental Affairs Dept.
April 2018 Director, Senior Managing Executive Officer, Chief Executive of Global Business Div.

Reason for appointment

Over the course of his career, Kunio Nohata has engaged mainly in energy sales, resources and overseas business-related work duties. He currently serves as Senior Managing Executive Officer, and is responsible for the company’s Global Business Division. He is highly knowledgeable, and has extensive work experience with the company.

Akihiko Ide

- Outside Director

April 1965 Joined Mitsubishi Metal Mining Company Ltd. (Current Mitsubishi Materials Corporation)
June 1994 General Manager of General Affairs & Administration Dept. at Mitsubishi Materials Corporation
June 1997 Director of Mitsubishi Materials Corporation
June 2000 Managing Director of Mitsubishi Materials Corporation
June 2002 Executive Vice President of Mitsubishi Materials Corporation
June 2004 President of Mitsubishi Materials Corporation
June 2010 Chairman of Mitsubishi Materials Corporation (Director of Sakai Chemical Industry Co., Ltd.
April 2015 Senior Advisor of Mitsubishi Materials Corporation
June 2015 Advisor of Mitsubishi Materials Corporation
June 2017 Outside Director of the Company

Reason for appointment

Over the course of his career, Akihiko Ide has engaged mainly in overseas business operations, primarily in the general materials industry in Asia. He is also highly knowledgeable, and possesses management capabilities and a broad-minded perspective, acquired through his involvement in a wide range of business operations, including the resources (commodities) business. We hope that he will make use of these qualities in helping to manage Tokyo Gas.
During his career, Masaru Takamatsu has engaged mainly in living and planning-related work duties. He currently serves as Executive Vice President. He is highly knowledgeable, and has extensive work experience with the company.

In his career, Takashi Anamizu has engaged mainly in living, resources and overseas business-related work duties. He currently serves as Executive Vice President. He is highly knowledgeable, and has extensive work experience with the company.

Yoshinori Katori is highly knowledgeable, and has an international outlook and broad-minded perspective developed through his many years in international diplomacy. We hope that he will make use of these qualities in helping to manage Tokyo Gas.

Chika Igarashi is highly knowledgeable, and possesses high-level legal expertise and a broad-minded perspective, developed through her many years of involvement in corporate legal affairs. We hope that she will make use of these qualities in helping to manage Tokyo Gas.
Audit & Supervisory Board Members (As of June 28, 2018)

- Audit & Supervisory Board Member

**Hideaki Obana**
- April 1978: Joined the Company
- October 1993: Full-time Auditor of Japan Bank for International Cooperation
- October 2000: Director of Japan Bank for International Cooperation
- October 2004: Vice Governor of Japan Bank for International Cooperation
- October 2008: Representative Director and Senior Managing Executive Officer of Japan Finance Corporation Deputy CEO of Japan Finance Corporation
- June 2011: Retired as Deputy CEO of Japan Bank for International Cooperation
- December 2011: Advisor of Sumitomo Mitsui Banking Corporation
- June 2012: President (Chief Executive Officer) of Japan Institute for Overseas Investment
- June 2013: Outside Director of Kawasaki Heavy Industries, Ltd.
- December 2014: Retired as President (Chief Executive Officer) of Japan Institute for Overseas Investment
- June 2018: Outside Director of Kawasaki Heavy Industries, Ltd.

**Masato Nobutoki**
- April 1981: Joined Mitsubishi Corporation
- April 2004: General Manager of Planning & Event Office of Government Exhibition Projects Dept., Japan Association for the 2005 World Exposition
- April 2007: Joined City of Yokohama
- April 2009: General Manager of Climate Change Policy Project, City of Yokohama
- May 2011: General Manager of Climate Change Policy Headquarters, City of Yokohama
- April 2012: Executive Director of Future City Promotion Office, Climate Change Policy Headquarters, City of Yokohama
- April 2016: Consultant of Future City Promotion, Climate Change Policy Headquarters, City of Yokohama
- June 2017: Outside Audit & Supervisory Board Member of the Company
- Retired as Advisor to the City of Yokohama

**Sawako Nohara**
- December 1986: Joined LIFE SCIENCE LABORATORIES, LTD.
- May 1995: Retired from LIFE SCIENCE LABORATORIES, LTD.
- July 1995: Joined InfoCom Research, Inc.
- December 2000: Retired from InfoCom Research, Inc.
- December 2001: President and Representative Director of IPIn Marketing, Inc.
- June 2006: Outside Director of NEC Corporation
- November 2009: Project Professor, Graduate School of Media and Governance of Keio University
- June 2012: Retired from Outside Director of NEC Corporation, Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc.
- June 2013: Retired from Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc., Outside Director of NKSJ Holdings, Inc.
- June 2014: Outside Director of JAPAN POST BANK Co., Ltd.
- June 2018: Outside Audit & Supervisory Board Member of the Company

Reason for appointment

Hideaki Obana is highly knowledgeable, and has extensive work experience with the company. He has engaged mainly in living and PR-related work duties, and has also served as a Senior Executive Officer.

Masato Nobutoki is highly knowledgeable and has extensive experience, both as a company employee and as a member of staff at regional public bodies. We hope that he will make use of these qualities in his role as an Audit & Supervisory Board member for Tokyo Gas.

Sawako Nohara is highly knowledgeable, and possesses corporate management experience and high-level IT-related expertise. We hope that she will make use of these qualities in her role as an Audit & Supervisory Board member for Tokyo Gas.

President and Representative Director of IPIn Marketing, Inc., Outside Director of Sompo Holdings, Inc., Outside Director of JAPAN POST BANK Co., Ltd.

Reason for appointment

Yoshihiko Morita is highly knowledgeable and has a broad international outlook, developed through his experience in fields such as international finance and overseas economic cooperation. We hope that he will make use of these qualities in his role as an Audit & Supervisory Board member for Tokyo Gas.

Outside Audit & Supervisory Board Member

**Yoshihiko Morita**
- April 1989: Joined Export-Import Bank of Japan
- October 2000: Director of the Company
- October 2004: Vice Governor of the Company
- October 2008: Representative Director and Senior Managing Executive Officer of Japan Finance Corporation Deputy CEO of the Company
- June 2011: Retired as CEO of the Company
- December 2011: Advisor of the Company
- June 2012: President (Chief Executive Officer) of the Company
- June 2013: Outside Director of Soma Securities Co., Ltd. (Current Nissha Printing Co., Ltd.)
- December 2014: Retired as President (Chief Executive Officer) of the Company
- June 2018: Outside Director of Kawasaki Heavy Industries, Ltd.

Outside Audit & Supervisory Board Member

**Masato Nobutoki**
- April 1981: Joined Mitsubishi Corporation
- April 2004: General Manager of Planning & Event Office of Government Exhibition Projects Dept., Japan Association for the 2005 World Exposition
- April 2007: Joined City of Yokohama
- April 2009: General Manager of Climate Change Policy Project, City of Yokohama
- May 2011: General Manager of Climate Change Policy Headquarters, City of Yokohama
- April 2012: Executive Director of Future City Promotion Office, Climate Change Policy Headquarters, City of Yokohama
- April 2016: Consultant of Future City Promotion, Climate Change Policy Headquarters, City of Yokohama
- June 2017: Outside Audit & Supervisory Board Member of the Company
- Retired as Advisor to the City of Yokohama

**Sawako Nohara**
- December 1986: Joined LIFE SCIENCE LABORATORIES, LTD.
- May 1995: Retired from LIFE SCIENCE LABORATORIES, LTD.
- July 1995: Joined InfoCom Research, Inc.
- December 2000: Retired from InfoCom Research, Inc.
- December 2001: President and Representative Director of IPIn Marketing, Inc.
- June 2006: Outside Director of NEC Corporation
- November 2009: Project Professor, Graduate School of Media and Governance of Keio University
- June 2012: Retired from Outside Director of NEC Corporation, Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc.
- June 2013: Retired from Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc., Outside Director of NKSJ Holdings, Inc.
- June 2014: Outside Director of JAPAN POST BANK Co., Ltd.
- June 2018: Outside Audit & Supervisory Board Member of the Company

Reason for appointment

Yoshihiko Morita is highly knowledgeable and has a broad international outlook, developed through his experience in fields such as international finance and overseas economic cooperation. We hope that he will make use of these qualities in his role as an Audit & Supervisory Board member for Tokyo Gas.

Masato Nobutoki is highly knowledgeable and has extensive experience, both as a company employee and as a member of staff at regional public bodies. We hope that he will make use of these qualities in his role as an Audit & Supervisory Board member for Tokyo Gas.

Sawako Nohara is highly knowledgeable, and possesses corporate management experience and high-level IT-related expertise. We hope that she will make use of these qualities in her role as an Audit & Supervisory Board member for Tokyo Gas.

President and Representative Director of IPIn Marketing, Inc., Outside Director of Sompo Holdings, Inc., Outside Director of JAPAN POST BANK Co., Ltd.

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Sawako Nohara is highly knowledgeable, and possesses corporate management experience and high-level IT-related expertise. We hope that she will make use of these qualities in her role as an Audit & Supervisory Board member for Tokyo Gas.
After stretches working in the research laboratory of a major chemical manufacturer, and at a think-tank that investigates consumer behavior, I became involved in Internet business-related investigative research at the NTT Group’s general research center on information and telecommunications (InfoCom Research, Inc.) At that time, the Internet was still in its early days, and Windows95 hadn’t even been released yet. Even so, I felt that there were huge possibilities for the future of the Internet, and completely immersed and dedicated myself to my work. That experience gained me recognition, and I currently serve as an external director for several companies, while at the same time offering my opinions on industrial policies and at IT-related strategy meetings organized by the government and various ministries and agencies, and working to help develop the next generation of human resources, as a project professor at Keio University.

As a social infrastructure company providing a stable supply of energy, Tokyo Gas is a company that is crucial to society. However, with the deregulation of electric power, followed by the deregulation of the city gas market in 2017, the entire energy industry is beginning to change dramatically. Being appointed as an outside director during this period of transformation makes me feel a good sense of tension, a strong sense of purpose, and even greater feelings of excitement and anticipation.

Over the past few years, the number of companies investing efforts into corporate governance is increasing. As one such company, Tokyo Gas is currently making effective and proactive use of excellent and highly-experienced human resources, such as be ensuring that outside personnel account for nearly half of its directors and Audit & Supervisory Board members. However, the important thing is not the number or ratio of outside personnel, but the question of whether or not the company’s senior management are listening seriously to the fruitful discussions being held amongst the directors, and working to adequately reflect those opinions in the actual workplace. I believe that it is this management stance that is the true essence of corporate governance. Outside Audit & Supervisory Board members must have broad perspective that enables them to take a step away and survey the entire company overall, from an elevated position.

There will surely be some things that are taken for granted internally, but which seem strange when viewed through the eyes of an outsider. Although small in size, the company that I myself started has now marked the 18th anniversary of its founding. I would like to utilize my experiences thus far, as an IT specialist, as a business manager, and as a consumer, and to engage in the lively exchange of honest and unrestrained opinions, in order to help further increase the corporate value of Tokyo Gas.
Tokyo Gas Group’s Invisible Assets

Achieving sustainable growth by refining the invisible assets that underpin our GPS×G (Gas & Power + Service × Global) strategy.

ESG Initiatives

(Environmental, Social, Governance)

Initiatives for achieving the realization of a low-carbon society

The Tokyo Gas Group contributes to the creation of a low-carbon society both in Japan and around the world by promoting and expanding the widespread use of natural gas, which is the cleanest of all fossil fuels.

As the Paris Treaty and other factors drive environmental policy, we will continue to enhance our low-carbon initiatives, such as by increasing investments in renewable energy-based power generation and future technologies.

- **Reduce CO₂ emissions on the customer side**
  - Promote introduction of natural gas and/or change of fuel type for customers in areas without access to city gas
  - Develop and promote widespread use of high-efficiency equipment (ENE-FARM fuel cell and cogeneration systems, etc.), and provide solutions that make use of them
  - Expand the way of use for natural gas (LNG bunkering: fuel supplies for ships)

- **Promote “smart” energy**
  - Promote optimization of energy supply and demand (gas, electricity, heat etc.) using regional energy networks
  - Contribute to furthering the development of a low-carbon society by creating smart energy networks (including demand response utilizing distributed power sources and storage cells, etc.)

- **Development of renewable energy sources**
  - Approach renewable energy sources (such as photovoltaic and wind power generation) with a sense of urgency, including alliances with relevant companies
  - Aim to achieve a power generation capacity of 0.4 million kW from renewable energy sources by the early 2020s
  - Operate a business model that also includes the use of renewable energy sources

- **Global expansion**
  - Expand natural gas infrastructure and utilization technologies cultivated in Japan to overseas markets, to contribute to low-carbon society and sustainable growth on a global scale

- **Future technologies (hydrogen, etc.)**
  - Promote development of technologies using hydrogen (ultra-efficient fuel cells with power generation efficiency of 65%, etc.)
  - Promote the introduction and use of technologies using hydrogen (e.g. introduce fuel cell vehicles (FCV) for corporate fleets)
  - Consider hydrogen production and transportation-related technologies

**Invisible assets**

- Safe and stable energy supply infrastructure
- Relationships of trust with business partners
- Relationships of trust with 11 million customers
- Digitalization and technology development (innovation) capabilities
- Human resources

**Relationships of trust with business partners**

**Safe and stable energy supply infrastructure**

**Human resources**

**Development of renewable energy sources**

**Promote “smart” energy**

**Reduce CO₂ emissions on the customer side**

**Global expansion**

**Future technologies (hydrogen, etc.)**
Changes to the makeup of our Board of Directors and Audit & Supervisory Board

Perspectives for considering governance

<table>
<thead>
<tr>
<th>Priority area</th>
<th>Priority issue (materiality)</th>
<th>Relationship with SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable supply of energy both in Japan and overseas</td>
<td>Stable supply of gas and electricity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stable procurement of raw materials</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Construction of energy infrastructure in developing countries</td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td>Robust energy platform</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Safety and disaster prevention/readiness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sustainable urban development and comfortable lifestyles</td>
<td></td>
</tr>
<tr>
<td>Conversion of society overall to a low-carbon society through the supply of energy</td>
<td>Measures against global warming</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting recycling of resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting conservation of biodiversity</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Creating an organization full of energy and vitality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Building good relationships with stakeholders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fulfilling our public duty as an energy company</td>
<td></td>
</tr>
</tbody>
</table>

— CSR priority issues (materialities) and contributing to the achievement of Sustainable Development Goals (SDGs)

The Tokyo Gas Group conducts a full range of business activities in the LNG value chain (from procurement, transportation, city gas production and supply, to power generation and energy solutions) to ensure the safe and stable supply of energy to our customers; the majority of whom reside in the Greater Tokyo Area. We also apply our domestic and global experience and know-how to efforts such as constructing energy infrastructure in Southeast Asia. Through our business activities, we aim to contribute to the achievement of the Sustainable Development Goals (SDGs).

To ensure sustainable growth, our Board of Directors involves itself in the decision-making processes for business strategies under GPS×G in order to promote the independent growth and development of each business, and also conducts appropriate monitoring.

In fiscal 2018, we reduced the number of inside members in our Board of Directors and Audit & Supervisory Board by three in comparison with the previous year (from 10 to 7), and made changes to further increase the proportion of outside members.

Moving forward, we will continue to implement reforms with the aim of building a better, more appropriate governance system, based on external trends and other factors.
Safe and stable energy supply infrastructure

Contributing to the achievement of Sustainable Development Goals (SDGs)

— Diversifying LNG procurement and achieving efficient and stable transportation of LNG

Natural gas reserves are abundant in various parts of the world. The Tokyo Gas Group was among the first to notice the potential of natural gas, and in 1969 we became the first in Japan to import LNG from Alaska. To achieve stable procurement of LNG, by seeking to diversify our procurement sources (resource suppliers), we are working to ensure that interferences to LNG procurement do not arise, even in cases where there are evident geopolitical risks such as disasters or human conflicts. We also operate stable transportation of LNG through the efficient deployment of ships (including ships owned and managed by Tokyo Gas).

— Safe and secure production and supply facilities

We import LNG by tankers and store it in tanks at LNG terminals. It is then reconverted into gas and adjusted in calorific value to produce city gas, and supplied to 11 million customers via our pipeline network. We endeavor to operate our LNG terminals safely, based on almost half a century of experience and knowledge accumulated since we introduced LNG to Japan for the first time in 1969. Our LNG terminals and pipeline network are a crystallization of our latest knowledge and technologies, and have a high level of resistance to earthquakes. Since city gas is made by conversion from LNG to natural gas at an LNG terminal and then distributed via pipeline, there is no energy conversion loss or transport loss to the point of consumption.

— Relationships of trust with business partners

In this period of transformation of the energy industry, namely, the full deregulation of the electricity and gas retail markets, we are exchanging information broadly with not only electricity and gas companies but also players in various industries. Moreover, we are promoting cooperation in areas where we foresee mutual synergies such as gas resource procurement and the electricity business (power plant construction and electricity sales).
— Safety know-how and measures to prevent earthquake disasters

In order to constantly deliver natural gas safely and steadily to 11 million customers, we are continually developing human resources involved in safety. It is indispensable to have human resources that are equipped with advanced specialized skills in facility design, construction, and maintenance, as well as decision-making capabilities that enable the reliable execution of gas supply and safety responsibilities even in times of emergency. The trust of customers that has been earned as a result of safety-related expertise developed over the course of our long history, and its continuation, is one of our greatest strengths. We have also developed a disaster-readiness system, which protects entire local areas by automatically cutting off the supply of gas when it detects an earthquake that poses the possibility of affecting our pipeline network and/or other structures. In order to minimize the impact of supply stoppages, we subdivide our supply areas, enabling us to stop the supply of gas remotely, in block units, depending on the extent of the damage.

— Facilitating safe use of gas

**Periodic Safety inspections** We conduct periodic safety inspections of gas-related equipment and facilities for all customers, as frequently as required by law. We visit customers to conduct inspections for gas leaks on customer premises (as a general gas pipeline operator), and to examine gas appliances and supply and exhaust equipment (as a gas retailer).

**Safety Command Center** When we receive a report of a gas leak from a customer, it is immediately forwarded to our dedicated Safety Command Center. The center asks questions to confirm the details of the situation, provides safety advice to the customer, and requests Gaslight 24 dispatch in response. The center is also able to contact the fire service, police and other emergency services via a hotline.

**Gaslight 24** Gaslight 24 are emergency dispatch bases for responding to gas leaks and other incidents in our gas pipeline network and customer gas equipment. When a report is received, Gaslight 24 personnel respond swiftly with an emergency dispatch, even on holidays or at night. Our emergency vehicles are also equipped with mapping systems that can instantly display the necessary sections of our massive pipeline diagrams, enabling them to respond swiftly and effectively to any incident.

### Raw materials procurement

Ensure flexibility and realize cost-competitive LNG procurement by enhancing and expanding alliance with LNG players in Japan and overseas.

- Kansai Electric Power
- Kyushu Electric Power
- Korea Gas Corporation
- CPC Corporation, Taiwan
- Centrica, U.K.

### Power Generation

Expand competitive power sources.

- JXTG Energy (Kawasaki Natural Gas Power Station)
- Showa Shell Sekiyu (Ohgishima Power)
- Kobe Steel (KOBELOCO) (Moka Power Station)
- Idemitsu Kosan and Kyushu Electric Power (Chiba-Sodegaura Energy)
- Shizen Energy (Development of photovoltaic power generation)

### Electricity Sales

Expanding electricity sales to high-voltage and extra-high-voltage customers.

- Tohoku Electric Power (Synergia Power)
- NTT Facilities (Ennet)
- Osaka Gas (Ennet)

Expanding electricity sales to low-voltage customers.

- Business alliances with 21 companies including gas operators which are our city gas wholesale customers (approx. 630,000 city gas customers)
- Business alliances with 27 LP gas sales companies (approx. 310,000 LP gas customers)
- Making progress with talks regarding the possibility of sales through partnerships with companies in housing, construction, equipment, telecommunications, information services and other industries.
Relationship of trust with 11 million customers

Our bonds and relationships of trust with our 11 million customers, developed over the course of the past 130 years, are our greatest strength. Tokyo Gas Lifeval, Enesta, and Enefit have 185 outlets and over 10,000 employees who act as “the face of Tokyo Gas” in each local region, providing one-stop services and support to ensure comfortable daily lifestyles for customers in local communities.

We believe strong relationships of trust with customers based on this community-based sales organization is the driving force that has enabled us to maintain our position as No. 1 new electric power market entrant in 2017, the second year after entry. In the retail gas business, too, which marks its second year since full deregulation, we are determined to augment and strengthen our relationships of trust with customers.
Digitalization and technology development (innovation) capabilities

Moving forward, we will shift from our previous R&D focused on gas energy to an open innovation style of R&D focused on a broad range of innovative energy technologies.

In order to improve efficiency and save labor in our existing business operations, develop new products and services, and create new business, we will gather information on a broad range of innovative energy technologies while also collaborating with progressive universities and venture companies both in Japan and overseas, to absorb new technologies and create innovation.

The history and future of our innovation

<table>
<thead>
<tr>
<th>Tokyo Gas history of innovation</th>
<th>Future innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1885 Tokyo Gas established</td>
<td>AI</td>
</tr>
<tr>
<td>1902 First gas equipment to receive a patent in Japan</td>
<td>Electric power</td>
</tr>
<tr>
<td>1969 First LNG Cargo came to Japan</td>
<td>Renewable energy</td>
</tr>
<tr>
<td>1981 First natural gas coageneration system introduced to Japan</td>
<td>VPP</td>
</tr>
<tr>
<td>2001 Commenced operation of SUPREME earthquake disaster prevention system</td>
<td>Blockchains</td>
</tr>
<tr>
<td>2009 Launched sales of world's first residential fuel cell system</td>
<td>Strap cells</td>
</tr>
<tr>
<td>2017: Launched new technology development initiatives</td>
<td>Robotics</td>
</tr>
<tr>
<td>2017: Launched new technology development initiatives</td>
<td>IoT</td>
</tr>
</tbody>
</table>

Digitalization initiatives

- We are effectively introducing digital technologies such as IoT, AI, mobile devices, and technologies utilizing big data, while at the same time drawing on advantages such as our technical capabilities and sales network that is closely linked to local communities.

- **Production, Generation & Distribution**
  - Predict and detect failures at LNG terminals and power generation plants, and increase efficiency of operation and maintenance work
  - Stop and restart gas supply to zone pressure regulators, etc., by remote operation using an earthquake disaster prevention system
  - Optimize efficiency of distribution utilizing LP gas usage data gathered using frequent remote metering technology

- **Sales & Services**
  - Provide optimal services for our customers based on the results of digital marketing
  - Increase the sophistication of our energy management system (to achieve automatic optimized operation of energy equipment by remote control)
  - Improve quality of service and achieve labor-saving benefits for operators by the introduction of voice-recognition systems, etc., in our call centers

Creating innovation through our Silicon Valley location

In December 2017, we established Acario Ventures in Silicon Valley, and launched a program of activities to assimilate innovative technologies and business models from around the world.

Digitalization for energy management

- **Helionet Advance**
  - Automatic optimized operation
  - Remote monitoring (remote production / energy saving operational support)

- **Helionet21**
  - Remote control
  - Data collection

- **Customer energy saving**
  - Electricity
  - Cold water
  - Steam
  - Compressor
  - OSS
  - Boiler
  - Fins

- **Optimal regional lending**
  - Operations bundling multiple customers
Human resources

Because we see human resources as the underlying source of creation of corporate value, the Tokyo Gas Group is striving to develop employees who have high-level expertise and integrity, and respond flexibly to changes in society and the business environment. In line with this policy, we are working to implement workstyle reforms and promote diversity, to ensure maximum effective utilization of the knowledge, skills and experience of personnel working in the Tokyo Gas Group.

Strengthening personnel to support growth

Creating an environment conducive to maximizing the effective use of knowledge, skills and experience

Personnel hiring and development

We are engaged in the hiring and development of human resources with a strong sense of duty and responsibility, who can take the initiative to think and act for themselves, and who can grow while cooperating with their fellow colleagues; who can become core personnel and act as a strong driving force for business operations in a diverse range of fields.

Hiring personnel with high levels of expertise

In addition to hiring new graduates for specific job types (in humanities, sciences and the professional domain), we also engage in flexible hiring of experienced and highly-specialized mid-career personnel.

Strategic shift to growth domains

In addition to our gas business, we also prioritize assignment of personal to strategically important fields such as our electric power and overseas business operations (we have increased numbers of personnel assigned to these businesses by approximately 50% in comparison with FY2015.) In this way, we are promoting growth and expansion in a diverse range of fields.

Developing business leaders

We train business leaders who will lead the Tokyo Gas Group in the future, with a training program that focuses primarily on development through a wide range of on-the-job training (OJT) experiences gained by means of transfers and rotations, combined with additional off-the-job education and training (OFF-JT).

Workstyle reform (Improving productivity and achieving a healthy work-life balance)

In order to enable each and every one of our employees to work energetically and make maximum effective use of their abilities, we are working proactively to rectify and reduce long working hours, and to implement workstyle reforms with awareness of “the value of time,” which we regard as important issues for management involvement.

Specific initiatives

- Promoting workstyles with awareness of the value of time
  Prohibiting overtime work after 20:00 (as a general rule) and encouraging employees to declare in advance what time they will be leaving work, etc.

- Promoting workstyle reform project “Work with Enthusiasm”
  - Eliminating restrictions on working location with “Work Anywhere” (including at home, or on the move, etc.)
  - Working to create workplaces that enable innovation to occur
  - “Work in a Free-form Animated Manner” (Online video conferencing, office reforms, etc.)
  - Promoting automation / mechanization using ICT, and more sophisticated use of data (utilizing RPA, etc.) with “Work to Be Entrusted”
Promoting diversity (Promoting active roles for diverse personnel)

Top Management Commitment
The Tokyo Gas Group is working to promote diversity (promoting active roles for diverse human resources), with a view to future growth and advancement. Even in the midst of this great competitive age of energy, the Group aims to grow and advance as a global total energy corporation by coming to terms with every one of its customers, having them choose Tokyo Gas products and services, and contributing to creation of a better society and secure and comfortable lifestyles.

One important issue for the entire Group to tackle in order to achieve this, is the promotion of diversity. In order to satisfy the continually diversifying needs of each and every customer, it is essential for us to create an environment in which every Group employee can take an active role and work as part of a team, making maximum effective use of his or her knowledge, skills and experience.

Moving forward, we will continue working proactively to develop and enhance more schemes for supporting this ideal, to foster greater employee awareness and create a better corporate culture within our organization, and aim to create a corporate group in which all employees can take an active role, regardless of their gender, age, presence or absence of disabilities, employment type, nationality, sexuality, gender identity, or any other such attributes.

Specific Initiatives

<table>
<thead>
<tr>
<th>Promoting empowerment of women in workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016: First female executive officer appointed</td>
</tr>
<tr>
<td>2018: First female senior executive officer appointed</td>
</tr>
<tr>
<td>Almost 100% return-to-work rate for female employees returning from childcare leave</td>
</tr>
<tr>
<td>Almost no difference in gender in terms of average years in service of the company</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment of people with disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment rate of 2.35%, exceeding the mandatory rate (as of June 2018)</td>
</tr>
<tr>
<td>Established a liaison committee to promote employment of disabled people as a group</td>
</tr>
<tr>
<td>Working to create safe and comfortable working environments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Career development support for employees in their 50s and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established the “Grand Career System” to support career development for employees in their 50s and over, through training sessions and interviews with career consultants, etc.</td>
</tr>
</tbody>
</table>

Occupational safety and health
Health and safety is the essential basis for the existence of any company, in protecting the lives and health of their employees. The Tokyo Gas Group is working to reduce risks with a view to eliminating work-related accidents, and to maintain and improve the health of its employees through mental health initiatives and measures to prevent lifestyle-related illnesses. In terms of health management, we work to ensure that 100% of our employees take regular health checkups, and make effective use of early-stage detection of disease outbreaks and external healthcare institutions.

Basic Policy Regarding Promotion of Diversity

1. Realize diversity in working styles, and productivity enhancement
We aim to achieve the realization of an organization (with diverse working styles and increased productivity) in which every person accepts each other’s working style while enhancing productivity.

2. Promoting empowerment of women in workplace
We regard promoting the success of women as the beginning of the promotion of diversity, and will continue to undertake this proactively.

3. Diversity Promotion Team
We will establish a "Group Diversity Promotion Team" and promote diversity throughout the entire group, in an integrated manner together with management.

External Evaluation

Selected as a Nadeshiko Brand
Tokyo Gas was selected as a corporate brand that is appealing in terms of its proactive efforts to encourage and empower women.

Granted Kurumin certification
Tokyo Gas was certified by the ministry of health, Labour and Welfare (MHLW) as a company that has formulated an action plan, achieved targets and met certain criteria in accordance with the Act on Advancement of Measures to Support Raising the Next Generation of Children.

Selected as a Health & Productivity Stock
Tokyo Gas was selected as a Health & Productivity Stock, as a company that considers and strategically approaches employee health management from a corporate management perspective.
## Financial data

### 11-Year Consolidated Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2008.3</th>
<th>2009.3</th>
<th>2010.3</th>
<th>2011.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>1,487,496</td>
<td>1,660,162</td>
<td>1,415,718</td>
<td>1,535,242</td>
</tr>
<tr>
<td>Operating Profit (¥ million)</td>
<td>70,048</td>
<td>65,204</td>
<td>85,229</td>
<td>122,451</td>
</tr>
<tr>
<td>Operating Profit Margin (%)</td>
<td>4.71</td>
<td>3.93</td>
<td>6.02</td>
<td>7.98</td>
</tr>
<tr>
<td>Ordinary Profit (¥ million)</td>
<td>66,832</td>
<td>58,337</td>
<td>83,519</td>
<td>121,548</td>
</tr>
<tr>
<td>Profit attributable to owners of parent (¥ million)</td>
<td>42,487</td>
<td>41,708</td>
<td>53,781</td>
<td>95,467</td>
</tr>
<tr>
<td>Equity (¥ million)</td>
<td>769,072</td>
<td>772,365</td>
<td>813,866</td>
<td>858,920</td>
</tr>
<tr>
<td>Total Assets (¥ million)</td>
<td>1,703,651</td>
<td>1,764,185</td>
<td>1,840,972</td>
<td>1,829,661</td>
</tr>
<tr>
<td>Interest-bearing Debt (¥ million)</td>
<td>558,716</td>
<td>593,230</td>
<td>555,919</td>
<td>584,169</td>
</tr>
<tr>
<td>Operating Cash Flow (¥ million)</td>
<td>184,908</td>
<td>182,791</td>
<td>199,898</td>
<td>244,803</td>
</tr>
<tr>
<td>Free Cash Flow (¥ million)</td>
<td>46,902</td>
<td>36,862</td>
<td>51,712</td>
<td>94,600</td>
</tr>
<tr>
<td>EBITDA (¥ million)</td>
<td>212,469</td>
<td>206,287</td>
<td>231,346</td>
<td>271,788</td>
</tr>
<tr>
<td>Capital Expenditure (¥ million)</td>
<td>138,006</td>
<td>145,929</td>
<td>148,186</td>
<td>150,202</td>
</tr>
<tr>
<td>Depreciation (¥ million)</td>
<td>142,421</td>
<td>141,083</td>
<td>146,117</td>
<td>150,202</td>
</tr>
<tr>
<td>EPS (Earnings per Share, fully diluted) (¥)</td>
<td>15.50</td>
<td>15.37</td>
<td>19.86</td>
<td>35.63</td>
</tr>
<tr>
<td>BPS (Book Value per Share) (¥)</td>
<td>289.49</td>
<td>284.72</td>
<td>301.58</td>
<td>320.70</td>
</tr>
<tr>
<td>Number of Issued Shares (Common Stock) (thousands of shares)</td>
<td>2,741,571</td>
<td>2,717,571</td>
<td>2,703,761</td>
<td>2,684,193</td>
</tr>
<tr>
<td>Dividend per Share (¥)</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>DOE (Dividends on Equity) (%)</td>
<td>2.72</td>
<td>2.78</td>
<td>3.07</td>
<td>2.88</td>
</tr>
<tr>
<td>Payout Ratio (%)</td>
<td>50.19</td>
<td>51.18</td>
<td>45.32</td>
<td>25.26</td>
</tr>
<tr>
<td>Total Payout Ratio (%)</td>
<td>73.56</td>
<td>63.35</td>
<td>60.11</td>
<td>60.87</td>
</tr>
<tr>
<td>Current Ratio (%)</td>
<td>106.76</td>
<td>118.99</td>
<td>120.93</td>
<td>142.26</td>
</tr>
<tr>
<td>D/E (Debt-Equity) Ratio (times)</td>
<td>0.73</td>
<td>0.77</td>
<td>0.68</td>
<td>0.68</td>
</tr>
<tr>
<td>Equity Ratio (%)</td>
<td>45.14</td>
<td>43.78</td>
<td>44.21</td>
<td>46.94</td>
</tr>
<tr>
<td>ROE (Return on Equity) (%)</td>
<td>5.43</td>
<td>5.41</td>
<td>6.78</td>
<td>11.41</td>
</tr>
<tr>
<td>ROA (Return on Assets) (%)</td>
<td>2.50</td>
<td>2.41</td>
<td>2.98</td>
<td>5.20</td>
</tr>
<tr>
<td>Total Asset Turnover (times)</td>
<td>0.88</td>
<td>0.96</td>
<td>0.79</td>
<td>0.84</td>
</tr>
<tr>
<td>TEP (¥100 million)</td>
<td>17</td>
<td>-48</td>
<td>186</td>
<td>640</td>
</tr>
<tr>
<td>WACC (%)</td>
<td>3.6</td>
<td>3.4</td>
<td>3.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

### Notes
- Depreciation includes amortization of long-term prepaid expenses.
- The financial information contained in this annual report is based on annual securities report. However, it has not been audited by certified public accountants.
- The dividend per share of 55.0 yen is calculated on the post-consolidation basis (the interim dividend of 5.50 yen per share before the share consolidation and the year-end dividend of 27.50 yen per share after the share consolidation).
- The figures represent baseline values for sales volume targets set forth in our management vision, Challenge 2020 Vision. They are obtained by adding volume for in-house use and LNG sales volume (excluding volume for Nijo) to consolidated gas sales volume.
- The Company carried out a share consolidation at a ratio of 5 common shares to 1 on October 1, 2017.
| Year | Net Sales (¥ million) | Operating Profit (¥ million) | Operating Profit Margin (%) | Ordinary Profit (¥ million) | Profit attributable to owners of parent (¥ million) | Equity (¥ million) | Total Assets (¥ million) | Interest-bearing Debt (¥ million) | Operating Cash Flow (¥ million) | Free Cash Flow (¥ million) | EBITDA (¥ million) | Capital Expenditure (¥ million) | Depreciation (¥ million) | EPS (Earnings per Share, fully diluted) (¥) | BPS (Book Value per Share) (¥) | Number of Issued Shares (Common Stock) (thousands of shares) | Dividend per Share (¥) | DOE (Dividends on Equity) (%) | Payout Ratio (%) | Total Payout Ratio (%) | Current Ratio (%) | D/E (Debt-Equity) Ratio (times) | Equity Ratio (%) | ROE (Return on Equity) (%) | ROA (Return on Assets) (%) | Total Asset Turnover (times) | Total PEP (¥100 million) | WACC (%) |
|------|----------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------------------------|-------------------|---------------------------|----------------------------------|---------------------------------|-----------------------------|-----------------|-------------------------------|--------------------------|------------------------------------------------|--------------------------|---------------------------------------------------------------|------------------------|--------------------------|-----------------|---------------------------|------------------------|---------------------|-----------------|------------------------|--------------------------|--------------------------|------------------------|
| 2012.3 | 1,754,257 | 77,075 | 4.39 | 75,620 | 46,060 | 839,166 | 1,863,885 | 262,830 | 194,565 | 48,152 | 225,580 | 146,413 | 148,505 | 17.70 | 324.67 | 2,590,715 | 9 | 2.74 | 0.75 | 45.02 | 5.42 | 2.49 | 0.95 | 9 | 3.1 | 10,855 | 15,190 | 15,833 |
| 2013.3 | 1,915,639 | 145,633 | 7.60 | 147,453 | 101,678 | 927,634 | 1,992,403 | 364,550 | 240,448 | 56,651 | 284,403 | 183,797 | 138,770 | 39.52 | 360.70 | 2,577,919 | 10 | 2.91 | 0.69 | 46.56 | 11.51 | 5.27 | 0.99 | 598 | 3.2 | 10,978 | 15,390 | 16,741 |
| 2014.3 | 2,112,117 | 166,044 | 7.86 | 159,613 | 108,451 | 1,011,787 | 2,176,816 | 402,911 | 248,831 | 827 | 306,424 | 248,004 | 140,380 | 43.10 | 402.91 | 2,517,551 | 10 | 2.59 | 0.71 | 46.48 | 11.18 | 5.20 | 1.01 | 507 | 3.2 | 11,111 | 14,735 | 17,225 |
| 2015.3 | 2,292,548 | 171,753 | 7.49 | 168,169 | 95,828 | 1,069,515 | 2,257,662 | 438.28 | 237,680 | 13,084 | 313,605 | 224,596 | 141,852 | 39.15 | 460.35 | 2,446,778 | 10 | 2.34 | 0.68 | 47.37 | 9.21 | 4.32 | 1.03 | 434 | 3.6 | 12,633 | 15,541 | 18,255 |
| 2016.3 | 1,884,656 | 192,008 | 10.19 | 188,809 | 111,936 | 1,100,271 | 2,251,518 | 460.35 | 257,122 | 25,089 | 337,194 | 232,033 | 145,187 | 23.02 | 479.74 | 2,396,778 | 11 | 2.58 | 0.65 | 48.87 | 10.32 | 4.96 | 0.84 | 676 | 3.4 | 11,398 | 15,436 | 18,587 |
| 2017.3 | 1,587,085 | 58,365 | 3.68 | 55,688 | 53,134 | 1,101,498 | 2,230,269 | 479.74 | 217,439 | 14,081 | 222,670 | 203,358 | 164,305 | 216.00 | 240.328 |
| 2018.3 | 1,777,344 | 116,302 | 6.54 | 111,546 | 74,987 | 1,136,027 | 2,334,721 | 2,487.58 | 240,048 | 14,081 | 281,643 | 208,745 | 165,341 | 164.12* | 111,546 |

**Computations**
- Operating Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation
- Free Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation – Capital Expenditure
- Current Ratio = Current Assets (year-end) / Current Liabilities (year-end) x 100
- Debt Equity Ratio = Interest-bearing Debt (year-end) / Equity (year-end)
- Equity Ratio = Equity (year-end) / Total Assets (year-end) x 100
- Total Asset Turnover = Net Sales / Total Assets (average)
- TEP (Tokyo Gas Economic Profit) = Profit after taxes and before interest payments – Cost of capital (invested capital x WACC)

**WACC calculation data (fiscal 2017 actual)**
- Interest-bearing debt cost: Real interest rate of 1.04% (after tax)
- Cost of shareholders’ equity: Risk-free rate: 10-year JGB yield of 0.05%, Risk premium: 5.5%, Beta coefficient of 0.75

---

**Introduction**

**Message**

**GPS2020**

**Business overview**

**Invisible assets**

**Financial data**

**Corporate governance**

**Overall image after full deregulation**
Financial data

### Operating cash flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>750</td>
</tr>
<tr>
<td>2016.3</td>
<td>600</td>
</tr>
<tr>
<td>2015.3</td>
<td>450</td>
</tr>
<tr>
<td>2014.3</td>
<td>300</td>
</tr>
<tr>
<td>2013.3</td>
<td>150</td>
</tr>
<tr>
<td>2012.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Total payout ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>75.0</td>
</tr>
<tr>
<td>2016.3</td>
<td>62.5</td>
</tr>
<tr>
<td>2015.3</td>
<td>50.0</td>
</tr>
<tr>
<td>2014.3</td>
<td>37.5</td>
</tr>
<tr>
<td>2013.3</td>
<td>25.0</td>
</tr>
<tr>
<td>2012.3</td>
<td>12.5</td>
</tr>
<tr>
<td>2011.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Return on equity (ROE)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>21,000</td>
</tr>
<tr>
<td>2016.3</td>
<td>17,500</td>
</tr>
<tr>
<td>2015.3</td>
<td>14,000</td>
</tr>
<tr>
<td>2014.3</td>
<td>10,500</td>
</tr>
<tr>
<td>2013.3</td>
<td>7,000</td>
</tr>
<tr>
<td>2012.3</td>
<td>3,500</td>
</tr>
<tr>
<td>2011.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### TEP

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (¥100 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>750</td>
</tr>
<tr>
<td>2016.3</td>
<td>600</td>
</tr>
<tr>
<td>2015.3</td>
<td>450</td>
</tr>
<tr>
<td>2014.3</td>
<td>300</td>
</tr>
<tr>
<td>2013.3</td>
<td>150</td>
</tr>
<tr>
<td>2012.3</td>
<td>0</td>
</tr>
</tbody>
</table>

### Gas sales volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (million m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>75.0</td>
</tr>
<tr>
<td>2016.3</td>
<td>62.5</td>
</tr>
<tr>
<td>2015.3</td>
<td>50.0</td>
</tr>
<tr>
<td>2014.3</td>
<td>37.5</td>
</tr>
<tr>
<td>2013.3</td>
<td>25.0</td>
</tr>
<tr>
<td>2012.3</td>
<td>12.5</td>
</tr>
<tr>
<td>2011.3</td>
<td>0</td>
</tr>
</tbody>
</table>

## Consolidated Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2017.3.31</th>
<th>2018.3.31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>235,152</td>
<td>236,334</td>
</tr>
<tr>
<td>Distribution facilities</td>
<td>539,840</td>
<td>560,216</td>
</tr>
<tr>
<td>Service and maintenance facilities</td>
<td>53,623</td>
<td>52,244</td>
</tr>
<tr>
<td>Other facilities</td>
<td>416,142</td>
<td>406,221</td>
</tr>
<tr>
<td>Inactive facilities</td>
<td>316</td>
<td>316</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>147,074</td>
<td>157,913</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>1,392,149</td>
<td>1,413,246</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,600</td>
<td>1,254</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>77,615</td>
<td>92,167</td>
</tr>
<tr>
<td>Total intangible assets</td>
<td>79,215</td>
<td>93,422</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>182,443</td>
<td>239,379</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>28,128</td>
<td>27,099</td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>40,127</td>
<td>30,864</td>
</tr>
<tr>
<td>Other investments and other assets</td>
<td>39,100</td>
<td>36,693</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(367)</td>
<td>(378)</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>289,456</td>
<td>354,505</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,760,821</td>
<td>1,841,174</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>132,626</td>
<td>128,331</td>
</tr>
<tr>
<td>Notes and accounts receivable - trade</td>
<td>194,240</td>
<td>216,234</td>
</tr>
<tr>
<td>Lease receivables and investment assets</td>
<td>24,097</td>
<td>22,188</td>
</tr>
<tr>
<td>Securities</td>
<td>28,128</td>
<td>27,099</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>2,317</td>
<td>2,494</td>
</tr>
<tr>
<td>Work in process</td>
<td>12,466</td>
<td>12,417</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>40,763</td>
<td>45,454</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>9,050</td>
<td>10,396</td>
</tr>
<tr>
<td>Other current assets</td>
<td>54,259</td>
<td>56,897</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(374)</td>
<td>(884)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>469,447</td>
<td>493,547</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,230,269</td>
<td>2,334,721</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Income

<table>
<thead>
<tr>
<th></th>
<th>2016.4.1 - 2017.3.31</th>
<th>2017.4.1 - 2018.3.31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,587,085</td>
<td>1,777,344</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>1,051,885</td>
<td>1,203,991</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>535,200</td>
<td>573,353</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply and sales expenses</td>
<td>410,125</td>
<td>392,680</td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent income</td>
<td>1,740</td>
<td>1,637</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>3,583</td>
<td>2,493</td>
</tr>
<tr>
<td><strong>Miscellaneous income</strong></td>
<td>5,889</td>
<td>4,800</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>14,293</td>
<td>13,057</td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>901</td>
<td>1,158</td>
</tr>
<tr>
<td><strong>Dividend income</strong></td>
<td>2,178</td>
<td>2,967</td>
</tr>
<tr>
<td><strong>Rent income</strong></td>
<td>1,740</td>
<td>1,637</td>
</tr>
<tr>
<td><strong>Share of profit of entities accounted for using equity method</strong></td>
<td>3,583</td>
<td>2,493</td>
</tr>
<tr>
<td><strong>Miscellaneous income</strong></td>
<td>5,889</td>
<td>4,800</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>15,730</td>
<td>6,452</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of parent</strong></td>
<td>54,044</td>
<td>75,300</td>
</tr>
<tr>
<td><strong>Profit attributable to non-controlling interests</strong></td>
<td>910</td>
<td>312</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>14,966</td>
<td>39,484</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>55,888</td>
<td>111,546</td>
</tr>
<tr>
<td><strong>Extravagant income</strong></td>
<td>6,610</td>
<td>3,403</td>
</tr>
<tr>
<td><strong>Gain on sales of non-current assets</strong></td>
<td>9,120</td>
<td>3,049</td>
</tr>
<tr>
<td><strong>Profit before income taxes</strong></td>
<td>69,010</td>
<td>114,784</td>
</tr>
<tr>
<td><strong>Income taxes - current</strong></td>
<td>25,271</td>
<td>31,527</td>
</tr>
<tr>
<td><strong>Income taxes - deferred</strong></td>
<td>(10,305)</td>
<td>7,957</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>14,966</td>
<td>39,484</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>54,044</td>
<td>75,300</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2016.4.1 - 2017.3.31</th>
<th>2017.4.1 - 2018.3.31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before minority interests</strong></td>
<td>54,044</td>
<td>75,300</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>870</td>
<td>3,145</td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td>1,360</td>
<td>666</td>
</tr>
<tr>
<td>Foreign currency translation adjustment (6,470)</td>
<td>(3,537)</td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans, net of tax</td>
<td>22,875</td>
<td>(8,784)</td>
</tr>
<tr>
<td>Share of other comprehensive income of entities accounted for using equity method</td>
<td>(1,844)</td>
<td>407</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>16,791</td>
<td>(6,101)</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>70,835</td>
<td>67,198</td>
</tr>
<tr>
<td><strong>Breakdown of comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income attributable to owners of parent</td>
<td>69,919</td>
<td>66,856</td>
</tr>
<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>915</td>
<td>341</td>
</tr>
</tbody>
</table>

## Financial data

<table>
<thead>
<tr>
<th></th>
<th>2017.3.31</th>
<th>2018.3.31</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,230,269</td>
<td>2,334,721</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>-consolidated statements of cash flows-</th>
<th>2016.4.1 - 2017.3.31</th>
<th>2017.4.1 - 2018.3.31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>69,010</td>
<td>114,784</td>
</tr>
<tr>
<td>Depreciation</td>
<td>160,871</td>
<td>161,093</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>2,408</td>
<td>3,213</td>
</tr>
<tr>
<td>Amortization of long-term prepaid expenses</td>
<td>3,433</td>
<td>4,248</td>
</tr>
<tr>
<td>Loss on retirement of property, plant and equipment</td>
<td>2,047</td>
<td>1,845</td>
</tr>
<tr>
<td>Loss (gain) on sales of non-current assets</td>
<td>(6,555)</td>
<td>(3,397)</td>
</tr>
<tr>
<td>Loss (gain) on sales of investment securities</td>
<td>(9,120)</td>
<td>(3,042)</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liability</td>
<td>(3,374)</td>
<td>(12,461)</td>
</tr>
<tr>
<td>Increase (decrease) in provision for safety measures</td>
<td>4,245</td>
<td>(1,596)</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(3,080)</td>
<td>(4,125)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>11,514</td>
<td>11,619</td>
</tr>
<tr>
<td>Share of loss (profit) of entities accounted for using equity method</td>
<td>(3,583)</td>
<td>(2,493)</td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable - trade</td>
<td>4,286</td>
<td>(20,602)</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>3,700</td>
<td>(4,948)</td>
</tr>
<tr>
<td>Increase (decrease) in notes and accounts payable - trade</td>
<td>17,567</td>
<td>(631)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued consumption taxes</td>
<td>(4,326)</td>
<td>3,000</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable - other</td>
<td>1,997</td>
<td>1,265</td>
</tr>
<tr>
<td>Net decrease (increase) in lease receivables</td>
<td>(12)</td>
<td>1,959</td>
</tr>
<tr>
<td>Other, net</td>
<td>18,229</td>
<td>31,525</td>
</tr>
<tr>
<td>Subtotal</td>
<td>269,261</td>
<td>281,258</td>
</tr>
<tr>
<td>Interest and dividend income received</td>
<td>14,593</td>
<td>12,295</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(11,509)</td>
<td>(11,502)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(33,610)</td>
<td>(22,312)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>238,734</td>
<td>259,738</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities

| Purchase of investment securities | (9,922) | (47,898) |
| Proceeds from sales and redemption of investment securities | 9,489 | 5,021 |
| Purchase of property, plant and equipment | (165,918) | (177,671) |
| Purchase of intangible assets | (29,542) | (27,638) |
| Purchase of long-term prepaid expenses | (8,322) | (1,653) |
| Proceeds from sale of non-current assets | 7,124 | 3,799 |
| Payments of long-term loans receivable | (6,073) | (3,101) |
| Collection of long-term loans receivable | 1,675 | 2,801 |
| Other, net | (3,383) | (821) |
| Net cash provided by (used in) operating activities | 238,734 | 259,738 |

### Cash flows from financing activities

| Net increase (decrease) in short-term loans payable | (6,260) | (2,645) |
| Repayments of lease obligations | (1,399) | (1,526) |
| Proceeds from long-term loans payable | 22,670 | 60,471 |
| Repayments of long-term loans payable | (19,982) | (62,065) |
| Proceeds from issuance of bonds | 30,000 | 20,000 |
| Proceeds from share issuance to non-controlling shareholders | - | 2,034 |
| Purchase of treasury shares | (41,065) | (7,082) |
| Cash dividends paid | (26,706) | (25,187) |
| Other, net | (27,892) | (648) |
| Net cash provided by (used in) financing activities | (70,899) | (16,651) |

### Effect of exchange rate change on cash and cash equivalents

| Net increase (decrease) in cash and cash equivalents | (498) | (220) |

### Financial data

#### All Japan LNG price

**Factors Affecting Revenues and Expenses**

Gas Rate Adjustment System's Medium- to Long-Term Neutralizing Effect on Crude Oil Price and Exchange Rate Fluctuations

Gas prices are determined using the gas rate adjustment system. Through this system, average raw material prices over a three-month period according to trade statistics are compared with the raw material cost that is used as the standard (average raw material cost), and the gas rates are adjusted using a defined calculation method based on the differences. A time lag of four months on average (called a sliding time lag) exists between the payment of raw material costs and the reflection of such changes in gas rates. Consequently, fluctuations in crude oil prices and exchange rates may result in the under-recovery or over-recovery of raw material costs if this lag cuts across a fiscal year, thereby affecting income. Looking at the medium- to long-term, however, the gas rate adjustment system has a neutralizing effect on the income impacts of fluctuations in raw material costs.

**Timing of the Standard Average Raw Material Cost Calculation and Reflection in Gas Rates**

The average raw material price over the past three months is calculated every month and then reflected in the gas rate three months later.

**How the Sliding Time Lag in Rates Works**

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**Facts About the Sliding Time Lag in Rates**

- **All Japan LNG price**
  - Average raw material price reflected in gas rate
  - Under recovery
  - Over recovery

**Timing of standard average raw material cost calculation**

- **Jan.**
- **Feb.**
- **Mar.**
- **Apr.**
- **May.**
- **Jun.**
- **Jul.**
- **Aug.**
- **Sep.**
- **Dec.**

**Reflection in gas rates**

- **Jan.**
- **Jul.**
- **Aug.**

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**Cash and cash equivalents at beginning of period**

| 170,102 |

**Cash and cash equivalents at end of period**

| 132,566 | 128,271 |
Energy demand concentration in the Kanto Region

We are extending our pipelines across the Kanto region, our market area, to meet the huge potential demand for natural gas mainly from industrial districts where many plants using heavy oil are located.

Our Potential

Gas handling volume target revised upward

2012.3 Reference value as of the time the Vision was put in place
2021.3

15.0 billion m³

20.7 billion m³

Potential for Industrial and Commercial Demand in the Kanto Region (200-kilometer radius around Tokyo)

- 100–200-km area: 2.0 billion m³
  - Cogeneration system / Power generation: 0.3 billion m³
  - Fuel conversion: 1.7 billion m³

- 100-km area: 7.0 billion m³
  - Cogeneration system / Power generation: 1.9 billion m³
  - Fuel conversion: 5.1 billion m³

Total: 9.0 billion m³